

Letter from the Chairman



December 11, 2017

Dear Investor:

For much of the last year, the global economy grew well, despite political uncertainty and renewed trade negotiations between Canada, the U.S. and other nations. Despite uneven conditions in the public and private markets, we are pleased to report that the Pinnacle Absolute Return Trust (**PART**) performed well in its first full year of operation. In particular, PART generated positive results for the year in its private portfolio, our proprietary risk-adjusted product. Our performance benefited from the strength of our client franchise, and our culture of adaptability and entrepreneurship. We have added strength and expertise in our asset management business with the addition Jonathan Aikman, the new Portfolio Manager and Chief Investment Officer of Pinnacle Wealth Brokers Inc. (**Pinnacle**) and others to help grow our team and expand into asset management.

The basis for meeting our investment management goals rests on strong investment acumen and a sustained operating discipline. Our mix of investments reflects the diverse needs of our clients for unique investment opportunities. The investment products and services we provide produce a diverse and balanced revenue stream, in both private and public markets.

We will continue to invest and grow our existing absolute return investment strategies. Canadian economic growth and small and medium sized businesses continue to be the biggest driver of the opportunity set for our current private investments. We believe that the demand for funding and capital remains highly correlated to economic growth and broader corporate activity. Lending has become an increasingly important part of our private strategy as it relates to our private portfolio of investments focused on infrastructure, industrials, technology, health care, resources, services and other industries. The private portfolio benefits from senior security positions, shorter terms and the fact that borrower credit quality for our counterparties remains high. We see an opportunity to continue to grow our lending activities in ways that are accretive to current returns. As we grow, we will maintain our conservative and rigorous risk management policies and due diligence to ensure quality and prudence is maintained.

On the public portfolio, PART is now invested in securities of the Waratah One X Fund/Trust. This is a market-neutral absolute return fund that meets our criteria for selecting funds.

All taken together, we are confident that we have positioned the PART to provide a unique and interesting alternative to traditional investments for the future.

Thank you for entrusting us with your capital. We are honoured to have you as an investor.

Kind regards,

A handwritten signature in dark ink that reads "Darvin".

Darvin Zurfluh
Chairman and Chief Executive Officer
Pinnacle Wealth Brokers Inc. and
Pinnacle Absolute Return Trustee Corp
Trustee of Pinnacle Absolute Return Trust

CONFIDENTIAL OFFERING MEMORANDUM

This Offering Memorandum constitutes an offering of securities only in those jurisdictions where, and to those persons whom, they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of securities. This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with an offering of trust units by Pinnacle Absolute Return Trust (the “Offering”). By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors in confidence, this Offering Memorandum or any information contained herein. No person has been authorized to give any information or to make any representation in connection with the Offering that is not contained in this Offering Memorandum. Any such information or representation, which is given or received, must not be relied upon.

PRIVATE PLACEMENT CONTINUOUS OFFERING

December 1, 2017



PINNACLE ABSOLUTE RETURN TRUST

250-15 Royal Vista Place NW, Calgary, Alberta T3R 0P3

Phone: (403) 215-7520; Facsimile: (403) 775-4342; E-mail: info@pinnaclefunds.ca

\$50,000,000 Maximum Offering

(No Minimum Offering)

of Class I Units, Class II Units and Class III Units of Pinnacle Absolute Return Trust, each issuable in series.

Capitalized words and phrases used but not defined in this summary are defined in the Glossary of Terms below.

The Trust:	Pinnacle Absolute Return Trust (the “ Trust ” or “ PART ”) is a private open-ended investment trust established under the laws of Alberta on March 31, 2016. The Trust is not a reporting issuer in any jurisdiction and these securities do not and will not trade on any exchange or market. Neither the Trust nor Pinnacle Wealth Brokers Inc. (“ Pinnacle ”), the manager, portfolio manager and principal Selling Agent of the Trust, publicly files any of its documents on SEDAR except as required by applicable securities laws. For material information relating to the Trust, including the investment objectives thereof, see “ <i>Summary of this Offering Memorandum</i> ” and “ <i>Business of the Trust</i> ”.
SEDAR Filer:	Yes, but only as required pursuant to section 2.9 of National Instrument 45-106 – <i>Prospectus Exemptions</i> . The Trust is not a reporting issuer and does not file continuous disclosure documents on SEDAR that are required to be filed by reporting issuers.
Securities Offered:	Class I Units and Class II Units each in series A and F only, and Class III Units in series A, B, F and S. See “ <i>Summary of the Trust Indenture – Units</i> ”.
Price per Security:	The price per Unit will be the NAV per Unit on the relevant date of Closing, except for the Class III, series A and Class III, series S Units which shall have an initial purchase price of \$10 per Unit, and thereafter, be the NAV per Class III Units, series A and Class III Units, series S, as applicable, on the relevant date of Closing.
Maximum Offering:	The Trust seeks to raise up to a maximum of \$50,000,000 (the “ Maximum Offering ”) pursuant to this Offering. There is no minimum Offering. Funds available under the Offering may not be sufficient to accomplish the Trust’s investment objectives. See “ <i>Risk Factors</i> ”.

Minimum Subscription Amount:	The minimum subscription amount is set out below:		
	Series (Class I, II or III Units)	Minimum Subscription Amount⁽¹⁾ (\$)	Minimum Number of (Units)⁽³⁾
	Series A	\$10,000	Varies based on NAV per Unit
	Series B ⁽²⁾	\$250,000	Varies based on NAV per Unit
	Series F	\$1,000,000	Varies based on NAV per Unit
	Series S ⁽²⁾	\$25,000	Varies based on NAV per Unit
Notes: (1) See “ <i>Subscription Procedure – Minimum Subscription Amount</i> ”. (2) Series B and series S are available only for Class III Units. (3) There is no minimum number of Units since the number of Units will vary depending on the NAV per Unit on the applicable date of Closing except for the Class III Units, series A and Class III Units, series S which shall be \$10 per Unit for the initial Closing on the purchase of such Units since they have not previously been offered for sale and thereafter, the minimum number of such Units shall vary depending on the NAV per Class III Unit, series A, and the NAV per Class III Unit, series S.			
Payment Terms:	Full payment of the subscription price will be due upon the execution and delivery of the subscription agreement and related subscription documentation. Payment should be made as directed in the subscription agreement. See “ <i>Subscription Procedure</i> ”.		
Capital Structure:	The Trust is authorized to issue an unlimited number of Units. The Trust will invest in limited partnership units (“ Private LP Units ”) of the Pinnacle Diversified Private Income Limited Partnership (the “ Private LP ”) and in limited partnership units (“ Public LP Units ”) of the Pinnacle Diversified Public Investment Limited Partnership (the “ Public LP ”) (the Private LP and the Public LP are, collectively, the “ Partnerships ”). The Trust will make its investments in the Private Portfolio and Public Portfolio through the respective Partnerships. See “ <i>The Investment Structure – Diagram of the Structure</i> ” and “ <i>The Investment Structure – Details of the Structure</i> ”.		
Closing Dates:	Closings will take place on such Valuation Dates as are determined by the Trustee in its sole discretion.		
Income Tax Consequences:	There are important tax consequences to investors holding Units. See “ <i>Certain Canadian Federal Income Tax Considerations</i> ”.		
Eligibility for Registered Plans:	The Trust has been advised that, provided that the Trust qualifies as a “mutual fund trust” for purposes of the Tax Act at all relevant times, the Units will be qualified investments for Registered Plans. Investors should consult their own tax advisors with respect to an investment in Units. See “ <i>Certain Canadian Federal Income Tax Considerations</i> ”.		
Early Redemption Fee	Units cannot be redeemed for the first six months following the date the investment was completed and the Units in question were issued. Except for holders of Class III Units, series S, Unitholders who redeem their Units after six months but before 12 months following the date of the investment, will be required to pay an Early Redemption Fee; after 12 months no redemption fee is payable. Holders of Class III Units, series S can be redeemed at any time after six months following the date of their initial investment without the payment of an Early Redemption Fee, subject to the terms and conditions of the Trust’s redemption procedures as set out in this Offering Memorandum. Unitholder seeking a redemption must give written notice to the Trustee stating its intention to redeem, and the number and class of Units, to be redeemed, at least 60 days in advance of the Redemption Date. See “ <i>Summary of the Trust Indenture – Redemption of Units</i> ”.		

<i>Selling Agents:</i>	<p>The Trust has retained Pinnacle, a registered exempt market dealer, as the principal Selling Agent in respect of the distribution and sale of the Units, however, the Trust may also distribute Units through additional Selling Agents. Pinnacle is also the Manager of the Trust and the Partnerships and the sole shareholder of each General Partner and the Trustee. See “<i>Compensation Paid to Sellers and Finders – Conflict of Interest</i>”.</p> <p>No up-front selling commission is paid to Pinnacle or to any additional Selling Agents in connection with the Offering. However, certain other fees are paid in connection with the Offering including, but not limited to, the Trailer Fee, the Dealer Fee, and the Offering Costs Fee. See “<i>Compensation Paid to Sellers and Finders</i>” and “<i>Compensation and Fees Paid to the Manager</i>”.</p>
<i>Related and Connected Issuer:</i>	<p>The Trust is a related and connected issuer of Pinnacle. Pinnacle is the principal Selling Agent for the Offering, the Manager of the Trust and the Partnerships and the sole shareholder of each of the Trustee and the two General Partners. The Trustee and the General Partners are Affiliates of Pinnacle and several of the officers and directors of Pinnacle are also officers and directors of the Trustee and the General Partners. To manage conflicts of interest, Pinnacle has adopted a Conflict of Interest Policy detailing the manner in which Conflict of Interest Matters will be addressed. See “<i>The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure</i>”, “<i>The Investment Structure – Conflict of Interest Policy</i>” and “<i>Risk Factors – Risks Associated with the Trust – Conflicts of Interest</i>”.</p>
<i>Resale Restrictions:</i>	<p>You will be restricted from selling your Units for an indefinite period. See “<i>Resale Restrictions</i>”.</p>
<i>Redemption Limitations:</i>	<p>While your Units are redeemable, there are certain circumstances in which the Redemption Amount may not be paid in cash, rather paid in Redemption Notes that are not “qualified investments” for Registered Plans. Accordingly, investors who hold Units through Registered Plans should consult their own tax advisors prior to exercising redemption rights. See “<i>Eligibility for Registered Plans</i>”, “<i>Risk Factors</i>” and “<i>Summary of the Trust Indenture – Redemption of Units</i>”.</p>
<i>Subscribers’ Rights:</i>	<p>You have two Business Days from the date it is signed to cancel your subscription agreement to purchase Units. If there is a misrepresentation in this Offering Memorandum, you will have the right to sue either for damages or to cancel the agreement. See “<i>Purchaser’s Rights</i>”.</p>
<i>Risk Factors:</i>	<p>No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See “Risk Factors”. <i>Prospective Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of their investment.</i></p>

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FORWARD-LOOKING STATEMENTS

Certain statements or information contained in this Offering Memorandum constitute “forward-looking statements” within the meaning of that phrase under applicable Canadian securities laws. Any statements that express, or involve discussions as to, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, through the words or phrases such as “will likely result”, “are expected to”, “expects”, “does not expect”, “anticipates”, “does not anticipate”, “believe”, “continue”, “estimate”, “intend”, “plan”, “potential”, “predict”, “project”, “seek” or other similar words) are not statements of historical fact and may be forward-looking statements. Forward-looking statements involve the Manager’s internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, investment opportunities, future expenditures, plans for and results of investments, portfolio results, business prospects and opportunities. Although the Manager believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies which could cause the Trust’s actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Trust. No assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Forward-looking statements contained in this Offering Memorandum include, but are not limited to, statements with respect to: (a) the use of proceeds of the Offering; (b) the business to be conducted by the Trust and the Partnerships; (c) the amount, timing and payment of distributions; (d) payment of fees to the Manager and third parties; (e) the Trust’s and the Partnerships’ investment objectives and investment strategies; (f) anticipated investments; (g) treatment under governmental regulatory regimes and tax laws; (h) financial and business prospects and financial outlook; (i) timing of dissolution of the Trust and the Partnerships; (j) possibility of adjustment of the dissolution date of the Trust and the Partnerships; and (k) types of portfolio securities and results of investments, the timing thereof and the methods of funding.

In addition to other factors and assumptions, which may be identified in this Offering Memorandum, assumptions have been made regarding, among other things: (a) the Trust’s qualification as a “mutual fund trust” and not a “SIFT trust” under the Tax Act; (b) use of proceeds of the Offering; (c) the engagement of Selling Agents, other than Pinnacle, in connection with the Offering and payment of a Trailer Fee and Dealer Fee to such securities dealers; (d) the business to be conducted by the Trust and Partnerships; (e) the general stability of the economic and political environment in which the Trust and the Partnerships operate; (f) the Trust’s and the Partnerships’ investment objectives and investment strategies; (h) the ability of the Manager to obtain qualified staff, equipment and services in a timely and cost efficient manner; (i) the valuation of the Trust’s and the Partnerships’ investments; (j) the possibility of substantial redemptions of Units; and (k) currency, exchange and interest rates.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to: (a) the ability of the Trust and the Partnerships to achieve or continue to achieve their respective objectives; (b) incorrect assessments of the value of investments; (c) the availability of investments that meet the Trust’s and the Partnerships’ investment objectives; (d) the concentration of investments in the Private Portfolio and Public Portfolio which could result in an investor’s investment being less diversified than anticipated; (e) the possibility of the Trust or the Partnerships being unable to acquire or dispose of illiquid securities; (f) the variability of the Net Asset Value, which depends on a number of factors that are not within the control of the Trust and the Partnerships, including performance of the portfolio and the performance of equity and debt markets generally; (g) the possibility of substantial redemptions of Units; (h) general economic, political, legal, military, market and business conditions and possible significant changes or disruptions; (i) retention of certain key employees of the Manager; (j) conflicts of interest involving certain directors, officers or employees of the Trustee, the General Partners and the Manager; (k) the risks discussed under “*Risk Factors*”; and (l) increased or extreme inflationary or deflationary conditions; and (m) other factors, many of which are beyond the control of the Trust, the Trustee and the Manager.

Readers are cautioned that the forgoing list of factors is not exhaustive.

The Manager has included the above summary of forward-looking information in order to provide Unitholders with a more complete perspective on the Trust’s current and future operations and such information may not be appropriate for other purposes. These forward-looking statements are made as of the date of this Offering Memorandum and the Trust and the Manager disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities

laws. Investors should read this entire Offering Memorandum and consult with their own professional advisors to ascertain and assess the income tax, legal, investment risks and other aspects of their investment in the Units.

The forward-looking statements contained or incorporated by reference in this Offering Memorandum are expressly qualified by the foregoing cautionary statements.

ELIGIBILITY FOR REGISTERED PLANS

Based on representations made by the Trustee to counsel, and provided that the Trust has satisfied and continues to satisfy the requirements under the Tax Act in order for it to qualify as a “mutual fund trust” thereunder, based on the provisions of the Tax Act in force as of the date hereof and the proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”), the Units, if issued on the date hereof, would be “qualified investments” under the Tax Act for Registered Plans. Notwithstanding that the Units may be a qualified investment for a TFSA, RRSP or RRIF, a holder of a TFSA or an annuitant under a RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units are a “prohibited investment” (as defined in the Tax Act) for the TFSA, RRSP or RRIF. A Unit will generally be a “prohibited investment” for a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant under a RRSP or RRIF, as applicable, does not deal at arm’s length with the Trust for the purposes of the Tax Act or has a “significant interest” (as defined in the Tax Act) in the Trust. A person will have a significant interest in the Trust if the person, together with non-arm’s length persons, holds 10% or more of the fair market value of the Units. On March 22, 2017, the Minister of Finance (Canada) announced Tax Proposals to extend the prohibited investment rules, and corresponding provisions, to holders of RDSPs and subscribers of RESPs. These Tax Proposals are reflected in draft legislation released on September 8, 2017, and are intended to apply after March 22, 2017. Subscribers who intend to hold Units in such Registered Plans should consult their own tax advisors regarding the application of the “prohibited investment” rules have in regard to their particular circumstances.

In order for the Trust to qualify as a “mutual fund trust”, and hence the Units be a qualified investment for Registered Plans, the Trust must have at least 150 Unitholders of a class, each of whom holds a block of Units of such class with an aggregate fair market value of not less than CD\$500, in addition to satisfying certain additional requirements under the Tax Act. Based on Officer’s certificate provided by the Trustee to counsel as of the date of this Offering Memorandum, the Trust has more than 150 Unitholders of a class, each holding a block of Units of such class with an aggregate fair market value of not less than CD\$500 and the Trust otherwise satisfies the requirements under the Tax Act in order for it to qualify as a “mutual fund trust” thereunder as at the date of this Offering Memorandum.

There can be no assurance that the Trust will continue to have at least 150 Unitholders of any class, each holding a block of Units of such class with an aggregate fair market value of not less than CD\$500 at all times.

See “*Certain Canadian Federal Income Tax Considerations - Eligibility for Registered Plans*”.

Any Trust Redemption Notes that may be delivered to Unitholders in satisfaction of the Redemption Amount on the redemption of Units will not be qualified investments for Registered Plans. Accordingly, Subscribers whose Registered Plans own Units should consult their own tax advisors prior to exercising redemption rights. For a discussion of the redemption process and the Trust Redemption Notes, see “*Summary of the Trust Indenture – Redemption of Units*”. See also “*Risk Factors – Risks Associated with the Business - Eligibility for Registered Plans*”.

INVESTMENT NOT LIQUID

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

OM MARKETING MATERIALS

Any “**OM marketing materials**” (as that term is defined in NI 45-106) related to each distribution under this Offering Memorandum and delivered or made reasonable available to a prospective Subscriber before the termination of the distribution is, and is deemed to be, incorporated by reference into this Offering Memorandum. Notwithstanding the foregoing, OM marketing materials incorporated by reference as described above are no longer incorporated by reference, and no longer form part of this Offering Memorandum, to the extent to which such materials have been superseded by a statement or statements contained in (i) an amendment to the Offering Memorandum, or an amended and restated Offering Memorandum, or (ii) subsequent OM marketing materials delivered to or made reasonably available to a prospective Subscriber.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in this Offering Memorandum is based upon information from independent industry and government publications. While the Manager believes this data to be reliable, market and industry data is subject to variation and cannot be verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Neither the Trustee nor the Manager has independently verified the accuracy or completeness of such information contained herein.

GLOSSARY OF TERMS

The following terms and abbreviations used throughout this Offering Memorandum have the meanings as set out below.

- (1) “**ABCA**” means the *Business Corporations Act* (Alberta), as amended.
- (2) “**Accredited Investor Exemption**” means the accredited investor exemption set out in Section 2.3 of NI 45-106.
- (3) “**Affiliate**” has the meaning ascribed to that term in the Securities Act and, for greater certainty, each of Pinnacle, the Trust, the Trustee, the Partnerships and the General Partners shall be deemed to be Affiliates of each other.
- (4) “**Applicable Laws**” means all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act.
- (5) “**Associate**” has the meaning ascribed to that term in the Securities Act.
- (6) “**Business Day**” means a day which is not a Saturday, Sunday or statutory holiday in the City of Calgary, in the Province of Alberta.
- (7) “**Capital Account**” means the account established for each Partner on the books of both the Private LP and the Public LP.
- (8) “**Capital Contribution**” of a Limited Partner means the total subscription price paid or agreed to be paid to the Partnerships by such Limited Partner, or a predecessor Limited Partner, in respect of LP Units subscribed for by such Limited Partner, or a predecessor Limited Partner, where subscriptions therefor have been accepted by the General Partner.
- (9) “**CBCA**” means the *Canada Business Corporations Act*, as amended.
- (10) “**Class**” means a class of Units being a Class I Unit, Class II Unit or Class III Unit.
- (11) “**Closing**” means the sale and purchase of Units on a Valuation Date.
- (12) “**Conflict of Interest Matter**” means a situation where a reasonable person would consider the Manager or a Related Entity to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interests of the Partnerships or the Trust.
- (13) “**Conflict of Interest Policy**” has the meaning ascribed to that term under the heading “*The Investment Structure – Conflict of Interest Policy*”.
- (14) “**CRA**” means the Canada Revenue Agency.
- (15) “**Dealer Fee**” has the meaning ascribed to that term under the heading “*Compensation Paid to Sellers and Finders – Dealer Fee*”.
- (16) “**Distributable Cash**” has the meaning ascribed to that term under the heading “*Summary of the Partnership Agreements – Distributions and Allocations*”.
- (17) “**Distribution Agreement**” means the distribution agreement between Pinnacle and the Trust dated April 5, 2016, as the same may be amended and restated from time to time.
- (18) “**Distribution Payment Date**” means a day that is within 30 days following the last day of each calendar month.
- (19) “**Distribution Period**” means each calendar month, or such other periods in respect of a particular class of Units as may be hereinafter determined from time to time by the Trustee, from, and including, the first day thereof and to, and including, the last day thereof.
- (20) “**Distribution Record Date**” means the last Business Day of each Distribution Period.

- (21) “**DPSP**” means a trust governed by a “deferred profit sharing plan” as defined in the Tax Act.
- (22) “**DRIP**” means the Trust’s distribution reinvestment plan.
- (23) “**Early Redemption Fee**” means an amount equal to: (a) \$150 plus (b) 1.5% of the gross Redemption Amount of the Units to be redeemed on a Redemption Date payable by a redeeming Unitholder.
- (24) “**Expense Payment Agreement**” means the expense payment agreement dated April 5, 2016 between the Trust, the Private LP General Partner and the Public LP General Partner, as it may be amended at any time and from time to time.
- (25) “**Expenses Amount**” means, in respect of a Distribution Period, the expenses incurred by the Trust, other than the Fees, together with any additional amount the Trustee determines should be reserved for payment of future expenses of the Trust during a subsequent Distribution Period.
- (26) “**Expenses of the General Partner**” means all costs and expenses incurred by the General Partner in the performance of its duties as the General Partner.
- (27) “**Fees**” means the Management Fee, the Dealer Fee and the Trailer Fee, collectively.
- (28) “**Fiera L/S Fund**” means Fiera Long/Short Equity Fund;
- (29) “**Fiera Funding Agreement**” means the fund dealing agreement between the Fiera Capital Corporation, the Manager and the Public LP dated April 5, 2016.
- (30) “**General Partners**” means collectively, both the Private LP General Partner and the Public LP General Partner; and “**General Partner**” means either of them, as the context requires.
- (31) “**Hurdle Rate**” means the annual rate of cash distribution a holder of Units is entitled to receive before the Manager becomes entitled to the Performance Fee, which rate varies with the Class and series of the Units, as set out in the Chart 1 below,

CHART 1 – Hurdle Rate

	Class I Unit		Class II Unit		Class III Unit			
	Series A	Series F	Series A	Series F	Series A	Series B	Series F	Series S
Hurdle Rate	7.0%	9.0%	7.0%	9.0%	7.0%	8.0%	9.0%	5.5%

where the rate shown above is expressed as a percentage of the NAV per Private LP Unit of the Private LP Units in the Series Asset Pool in question, all as more particularly described under the headings “*Summary of the Trust Indenture – Distributions – Monthly Distributions (up to the Hurdle Rate)*”, “*Summary of the Trust Indenture – Distributions – Annual Distributions (from the Performance Pool)*” and “*Compensation and Fees Paid to the Manager – Performance Fee*”.

- (32) “**Initial Allocation**” has the meaning ascribed thereto in “*Business of the Trust – Initial Allocation*”.
- (33) “**Investment Gains**” for a Valuation Period means the aggregate realized and unrealized increase, if any, during such Valuation Period in the value of Investments of a Partnership, as determined pursuant to its Partnership Agreement, over the aggregate realized and unrealized decrease during such Valuation Period by such Partnership in the value of Investments of the Partnership, as determined pursuant to its Partnership Agreement. For greater certainty, expenses incurred in the purchase and sale of Investments are considered a deduction from the Investment Gains.
- (34) “**Investment Losses**” for a Valuation Period means the aggregate realized and unrealized decrease, if any, during such Valuation Period in the value of Investments of a Partnership, as determined pursuant to its Partnership Agreement, over the aggregate realized and unrealized increase during such Valuation Period by such Partnership in the value of Investments of the Partnership as determined pursuant to its Partnership Agreement. For greater certainty, expenses incurred in the purchase and sale of Investments are considered an addition to the Investment Losses.

- (35) “**Investments**” means any investments made by the Partnerships pursuant to the terms of the Partnership Agreements.
- (36) “**Investor Alignment Program**” has the meaning ascribed to that term in Schedule “B” to this Offering Memorandum.
- (37) “**Limited Partner**” means each person or entity that has subscribed for at least one LP Unit and is accepted as a limited partner of one or more of the Partnerships.
- (38) “**LP Units**” means collectively, the Private LP Units and the Public LP Units; and “**LP Unit**” means either of them, as the context requires.
- (39) “**Management Agreement**” means the management agreement between the Manager, the Trust and the Partnerships dated April 5, 2016, as the same may be amended and restated from time to time. See “*Summary of Other Material Agreements – Management Agreement*”.
- (40) “**Management Fee**” means the fee payable to the Manager as described under “*Compensation and Fees Paid to the Manager – Management Fee*”.
- (41) “**Manager**” means Pinnacle Asset Management, a division of Pinnacle, in its capacity as the portfolio manager and the administrative manager of the Trust and the Partnerships pursuant to the Portfolio Management Agreement and the Management Agreement, respectively, and includes such other person or persons as the Trust or Partnerships may appoint pursuant to those agreements from time to time and, for greater certainty, reference to the term Manager includes reference to the portfolio manager or the administrative manager, as the context requires.
- (42) “**Material Adverse Effect**” means any material adverse change in the business, assets, financial condition, results of operations, prospects, cash flows and/or the value of the securities of the Private LP.
- (43) “**Maximum Offering**” means the maximum offering of \$50,000,000 to be raised by the Trust in connection with this Offering.
- (44) “**NAV per Private LP Unit**” means the quotient obtained by dividing the Net Asset Value of the Private LP by the total number of Private LP Units then outstanding.
- (45) “**NAV per Public LP Unit**” means the quotient obtained by dividing the Net Asset Value of the Public LP by the total number of Public LP Units then outstanding.
- (46) “**NAV per Unit**” means, with respect to a series of Units, the quotient obtained by dividing the Net Asset Value of the corresponding Series Asset Pool by the total number of Units of such series then outstanding.
- (47) “**Net Asset Value**” or “**NAV**” means:
- (i) in respect of each Partnership, the net asset value of the entire Partnership and, for a Valuation Period, shall mean the excess, if any, of the value of the assets of such Partnership as determined pursuant to the applicable Partnership Agreement on the last Business Day of such Valuation Period less the amount of liabilities of the applicable Partnership at such time; or
 - (ii) in respect of each Series Asset Pool, the net asset value of the entire Series Asset Pool and, for a Valuation Period, shall mean the excess, if any, of the value of the assets of such Series Asset Pool as determined pursuant to the Trust Indenture on the last day of such Valuation Period less the amount of liabilities of the Series Asset Pool at such time.
- (48) “**Net Losses**” of the Private LP or the Public LP for a Valuation Period means the excess, if any, of the sum of (i) Investment Losses, if any, and (ii) Net Operating Losses, if any, over the sum of (iii) Investment Gains, if any, and (iv) Net Operating Profits, if any, for such Valuation Period.
- (49) “**Net Operating Losses**” of the Private LP or the Public LP for a Valuation Period means the excess, if any, of Expenses of the General Partner incurred during such Valuation Period by the Partnership (other

- than expenses incurred in the sale or purchase of Investments) over the aggregate income earned during such Valuation Period by the Partnership from all sources whatsoever (other than from the sale or purchase of Investments).
- (50) “**Net Operating Profits**” of the Private LP or the Public LP for a Valuation Period means the excess, if any, of the aggregate income earned during such Valuation Period by the Partnership from all sources whatsoever (other than from the sale or purchase of Investments) over all Expenses of the General Partner incurred during such Valuation Period by the Partnership (other than expenses incurred in the sale or purchase of Investments).
- (51) “**Net Proceeds**” means the gross aggregate proceeds raised in connection with the Offering less the Offering Costs Fee and the Wholesaler Fee (if any).
- (52) “**Net Profits**” of the Private LP or the Public LP for a Valuation Period means the excess, if any, of the sum of (i) Investment Gains, if any, and (ii) Net Operating Profits, if any, over the sum of (iii) Investment Losses, if any, and (iv) Net Operating Losses, if any, for such Valuation Period.
- (53) “**NI 45-106**” means National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators, as may be amended from time to time.
- (54) “**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as may be amended from time to time.
- (55) “**Non-Resident**” means: (i) a person (within the meaning of the Tax Act but, for greater certainty, not including a partnership) who is not resident in Canada for the purposes of the Tax Act; or (ii) a partnership that is not a “Canadian partnership” as defined in the Tax Act.
- (56) “**Offering**” means the offering of Class I Units, series A and F, Class II Units, series A and F and Class III Units, series A, B, F and S, pursuant to this Offering Memorandum.
- (57) “**Offering Costs**” has the meaning ascribed thereto under “*Use of Available Funds – Funds Available*”.
- (58) “**Offering Costs Fee**” has the meaning ascribed to the term under the heading “*Compensation and Fees Paid to the Manager – Offering Costs Fee*”.
- (59) “**Offering Memorandum**” means this offering memorandum of the Trust dated December 1, 2017, as it may be amended, supplemented and/or amended and restated from time to time.
- (60) “**Offering Memorandum Exemption**” means the offering memorandum prospectus exemption set out in Section 2.9 of NI 45-106.
- (61) “**OM Marketing Materials**” means a written communication, other than an OM standard term sheet (as that term is defined in NI 45-106), intended for prospective purchasers regarding this distribution of Units under this Offering Memorandum that contains material facts relating to the Trust, the Units and this Offering.
- (62) “**Ordinary Resolution**” for the Trust or the Partnerships, as applicable, means:
- (i) a resolution passed by more than 50% of the votes cast by those holders of the particular Class or series (or group thereof) of Units or LP Units entitled to vote on such resolution, whether cast in person or by proxy, at a meeting of such Class or series (or group thereof) of Units or LP Units, at which a quorum was present and called (at least in part) for the purpose of approving such resolution; or
 - (ii) a resolution approved in writing, in one or more counterparts, by holders of more than 50% of the votes represented by those Units or LP Units of the particular Class or series (or group thereof) of Units or LP Units entitled to be voted on such resolution.
- (63) “**Partner**” means a Limited Partner or General Partner of the Partnerships.
- (64) “**Partnership Act**” means the *Partnership Act* (Alberta), as it may be amended or supplemented.

- (65) “**Partnership Agreements**” means collectively, the Private LP Agreement and the Public LP Agreement; and “**Partnership Agreement**” means either the Private LP Agreement or the Public LP Agreement, as the context requires.
- (66) “**Partnership Redemption Notes**” means promissory notes issued in series, or otherwise, by a Partnership pursuant to a note indenture, or otherwise, and issued to redeeming Limited Partners in principal amounts determined in accordance with each Partnership Agreement and having the following terms and conditions:
- (i) unsecured and bearing interest from and including the issue date of each such note at a rate per annum determined by the General Partner and payable annually in arrears (with interest after as well as before maturity, default and judgment, and interest on overdue interest at such rate);
 - (ii) subordinated and postponed to all senior indebtedness and which may be subject to specific subordination and postponement agreements to be entered into by the Partnership pursuant to the note indenture with holders of senior indebtedness;
 - (iii) subject to earlier prepayment in whole or in part without penalty, being due and payable on the fifth anniversary of the date of issuance; and
 - (iv) subject to such other standard terms and conditions as would be included in a note indenture for promissory notes of this kind, as may be approved by the General Partner.
- (67) “**Partnerships**” means collectively, the Private LP and the Public LP; and “**Partnership**” means either of them, as the context requires.
- (68) “**Performance Distribution**” has the meaning ascribed to that term under the heading “*Summary of the Trust Indenture – Distributions – Annual Additional Distributions*”.
- (69) “**Performance Fee**” means the fee payable to the Manager as described under the headings “*Summary of the Trust Indenture – Distributions – Annual Additional Distributions*” and “*Compensation and Fees Paid to the Manager – Management Fee*”.
- (70) “**Performance Fee Profit Sharing**” means the discretion of the Manager to share up to 50% of the Performance Fee payable to the Manager, if any, with dealing representatives of record in respect of the Units in question, subject to applicable securities laws. See “*Trust Matters – Distributions – Annual Performance Distributions – Performance Fee Profit Sharing with Dealing Representatives*”.
- (71) “**Performance Pool**” has the meaning ascribed to that term under the heading “*Summary of the Trust Indenture – Distributions – Annual Additional Distributions*”.
- (72) “**Permitted Leverage**” has the meaning ascribed to that term under the heading “*The Private Portfolio – Investment Policies and Restrictions of the Private Portfolio – Permitted Leverage*”.
- (73) “**Pinnacle**” means Pinnacle Wealth Brokers Inc., a corporation established under the laws of Alberta and, for greater certainty, a reference to Pinnacle shall include a reference to Pinnacle in its capacity as Manager or principal Selling Agent, as the context requires.
- (74) “**Pinnacle’s Expense Allocation Policy**” means Pinnacle’s expense allocation policy dated April 5, 2016, as it may be amended, supplemented and/or amended and restated from time to time.
- (75) “**Placement Agent Fee**” means a fee of up to 1.5% of the gross amount invested by the Private LP in securities of an investee issuer paid to Pinnacle as placement agent of the Manager of the Private LP.
- (76) “**Portfolios**” means, collectively, the Private Portfolio and the Public Portfolio, and “**Portfolio**” refers to either such portfolio, as the context requires.
- (77) “**Portfolio Management Agreement**” means the portfolio management agreement between the Manager, the Trust and the Partnerships dated April 5, 2016, as the same may be amended and restated from time to time. See “*Summary of Other Material Agreements – Portfolio Management Agreement*”.

- (78) “**Private LP**” means the Pinnacle Diversified Private Income Limited Partnership formed pursuant to the Partnership Act and having registration number LP19549450.
- (79) “**Private LP’s Investment Objectives**” has the meaning ascribed to that term under the heading “*The Private Portfolio – Investment Objectives of the Private Portfolio*”.
- (80) “**Private LP Agreement**” means the limited partnership agreement in respect of the Private LP between the Private LP General Partner and the Limited Partners dated as of March 4, 2016, as the same may be amended and restated from time to time. See “*Summary of the Partnership Agreements*”.
- (81) “**Private LP General Partner**” means Pinnacle Diversified Private Income GP Inc., a corporation incorporated under the laws of the Province of Alberta.
- (82) “**Private LP Pool**” means a pool maintained in respect of each series of Trust Units, which shall be calculated and distributed in accordance with the terms of the Trust Indenture.
- (83) “**Private LP Subscription Price**” means, in respect of a Private LP Unit, \$10 per unit for Private LP Units issued in respect of the Initial Closing, and thereafter, the Net Asset Value per Private LP Unit on the Valuation Date on which the Private LP Unit is issued.
- (84) “**Private LP Units**” means limited partnership units of the Private LP.
- (85) “**Private Portfolio**” means the investment portfolio of the Private LP.
- (86) “**Public Funds**” means collectively the Waratah Fund and/or such other third-party managed investment fund as may be selected by the Manager from time to time in accordance with the criteria described under “*The Public Portfolio – Selection Criteria for a Public Fund*”.
- (87) “**Public LP**” means the Pinnacle Diversified Public Investment Limited Partnership formed pursuant to the Partnership Act and having registration number LP19549559.
- (88) “**Public LP Agreement**” means the limited partnership agreement in respect of the Public LP between the Public LP General Partner and the Limited Partners dated as of March 4, 2016, as the same may be amended and restated from time to time. See “*Summary of the Partnership Agreements*”.
- (89) “**Public LP General Partner**” means Pinnacle Diversified Public Investment GP Inc., a corporation incorporated under the laws of the Province of Alberta.
- (90) “**Public LP Pool**” means a pool maintained in respect of each series of Trust Units, which shall be calculated and distributed in accordance with the terms of the Trust Indenture.
- (91) “**Public LP Units**” means limited partnership units of the Public LP.
- (92) “**Public LP’s Investment Objectives**” has the meaning ascribed to that term under the heading “*The Public Portfolio – Investment Objectives of the Public Portfolio*”.
- (93) “**Public Portfolio**” means the investment portfolio of the Public LP.
- (94) “**Redemption Amount**” means,
- (i) with respect to the redemption of any Trust Unit, an amount per Trust Unit equal to the sum of the following three amounts:
- (I) the Redemption Factor multiplied by the net proceeds that would be received by the Trust on the applicable Valuation Date by redeeming all Private LP Units held in the relevant Series Asset Pool, which for greater certainty, is equal to the total number of Private LP Units held in the relevant Series Asset Pool multiplied by the lesser of: (x) the Private LP Subscription Price; and (y) the NAV per Private LP Unit on such Valuation Date; less any redemption fees or charges;

- (II) the Redemption Factor multiplied by the net proceeds that would be received by the Trust on the applicable Valuation Date by redeeming all Public LP Units held in the relevant Series Asset Pool, which for greater certainty, is equal to the total number of Public LP Units held in the relevant Series Asset Pool multiplied by the NAV per Public LP Unit on such Valuation Date; less any redemption fees or charges; and
 - (III) the Redemption Factor multiplied by the net assets of the relevant Series Asset Pool, other than Private LP Units and Public LP Units,
 - (ii) with respect to the redemption of a Private LP Unit, an amount per Private LP Unit equal to the lesser of: (x) the Private LP Subscription Price; and (y) the NAV per Private LP Unit on such Valuation Date; and
 - (iii) with respect to the redemption of a Public LP Unit, an amount per Public LP Unit equal to the NAV per Public LP Unit on such Valuation Date;
- (95) “**Redemption Date**” means the last Business Day of a fiscal quarter.
 - (96) “**Redemption Factor**” means, with respect to a Unit on the relevant date, one divided by the total number of Trust Units of the relevant series then outstanding.
 - (97) “**redemption fee**” means the Early Redemption Fee (there are no other redemption fees payable by redeeming Unitholders. See “*Summary of the Trust Indenture – Redemption of Units – Early Redemption Fee*”).
 - (98) “**Redemption Payment Date**” means a date that is no later than 30 days after the Redemption Date that the Redemption Amount is paid to a Unitholder who has redeemed their investment.
 - (99) “**Redemption Period**” means each fiscal quarter, ending on the Redemption Date of such fiscal quarter.
 - (100) “**Registered Plan**” means an RRSP, RRIF, RESP, RDSP, DPSP or TFSA.
 - (101) “**Related Entity**” means:
 - (i) a person or company that can direct or materially affect the direction of the management and policies of the Manager, the Trust or the Partnerships, or
 - (ii) an Associate, Affiliate, partner, director, officer or subsidiary of the Manager or of a person or company referred to in paragraph (i) above.
 - (102) “**RDSP**” means a trust governed by a “registered disability savings plan” as defined in the Tax Act.
 - (103) “**RESP**” means a trust governed by a “registered education savings plan” as defined in the Tax Act.
 - (104) “**RRIF**” means a trust governed by a “registered retirement income fund” as defined in the Tax Act.
 - (105) “**RRSP**” means a trust governed by a registered retirement savings plan as defined in the Tax Act.
 - (106) “**Securities Act**” means the *Securities Act* (Alberta), as may be amended from time to time.
 - (107) “**Selling Agents**” means registered dealers, dealing representatives, financial advisors, sales persons, brokers, intermediaries or other eligible persons, including Pinnacle, who are involved in the purchase and sale of Units in connection with the Offering.
 - (108) “**Selling Jurisdictions**” means all of the provinces and territories of Canada.
 - (109) “**Series Asset Pool**” means in respect of a series of Units, the Trust Property held in trust for the benefit of, the Unitholders of such series of Units of a Class in accordance with the Trust Indenture and, for greater certainty, this is a Trust concept only – there are no series in respect of LP Units and no series asset pools maintained by either Partnership.
 - (110) “**Special Resolution**” for the Trust or Partnerships, as applicable, means

- (i) a resolution passed by more than two thirds of the votes cast by those holders of the particular class or classes of Units or LP Units entitled to vote on such resolution, whether cast in person or by proxy, at a meeting of such class or classes of Units or LP Units, at which a quorum was present, called (at least in part) for the purpose of approving such resolution, or
 - (ii) a resolution approved in writing, in one or more counterparts, by holders of more than two thirds of the votes represented by those Units or LP Units of the particular class or classes of Units or LP Units entitled to be voted on such resolution.
- (111) “**Subscriber**” means a subscriber of Units.
- (112) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as may be amended or supplemented.
- (113) “**Tax Proposals**” has the meaning ascribed to that term under the heading “Eligibility for Registered Plans”.
- (114) “**TFSA**” means a trust governed by a “tax-free savings account” as defined in the Tax Act.
- (115) “**Trailer Fee**” means an ongoing deferred commission or trailer fee instead of up-front commissions, that the Trust will pay to Selling Agents.
- (116) “**Trust**” or “**PART**” means the Pinnacle Absolute Return Trust, a private open-ended investment trust established under the laws of Alberta on March 31, 2016.
- (117) “**Trust Indenture**” means the trust indenture of the Trust initially dated March 31, 2016 among the settlor, the initial Unitholder of the Trust and the Trustee, as amended as of December 1, 2017, including any further amendments or supplemental indentures thereto.
- (118) “**Trust Investment Objectives**” has the meaning ascribed to that term under the heading “*Business of the Trust – Investment Objectives of the Trust*”.
- (119) “**Trust Property**” at any time, means all of the money, properties and other assets of any nature or kind whatsoever, including both income and capital of the Trust, as are, at such time, held by the Trust or by the Trustee on behalf of the Trust.
- (120) “**Trust Redemption Notes**” or “**Redemption Notes**” means promissory notes issued in series, or otherwise, by the Trust pursuant to a note indenture, or otherwise, and issued to redeeming Unitholders in principal amounts determined in accordance with the Trust Indenture and having the following terms and conditions:
 - (i) unsecured and bearing interest from and including the issue date of each such note at a rate per annum equal to that of the corresponding Partnership Redemption Note and payable annually in arrears (with interest after as well as before maturity, default and judgment, and interest on overdue interest at such rate);
 - (ii) subordinated and postponed to all senior indebtedness and which may be subject to specific subordination and postponement agreements to be entered into by the Trustee pursuant to the note indenture with holders of senior indebtedness;
 - (iii) subject to earlier prepayment without penalty, being due and payable on the fifth anniversary of the date of issuance; and
 - (iv) subject to such other standard terms and conditions as would be included in a note indenture for promissory notes of this kind, as may be approved by the Trustee. See “*Summary of the Trust Indenture – Redemption of Units – Trust Redemption Notes*”.
- (121) “**Trustee**” means Pinnacle Absolute Return Trustee Corp., a corporation established under the CBCA, in its capacity as trustee of the Trust, or any successor trustee of the Trust in accordance with the provision of the Trust Indenture.

- (122) “**Units**” or “**Trust Units**” means units of the Trust and includes units issued in any Class and series.
- (123) “**Unitholder**” means a holder of Units.
- (124) “**Valuation Date**” for a Valuation Period means the last Business Day of such Valuation Period.
- (125) “**Valuation Period**” means each calendar month following the formation of the Partnerships and prior to the termination thereof.
- (126) “**Waratah Fund**” means the Waratah One X Trust, a privately offered investment fund formed under the laws of the Province of Ontario.
- (127) “**Waratah Fund Agreement**” means the fund dealing agreement between Waratah and the Manager on behalf of the Public LP dated May 15, 2017, as the same may be amended and restated from time to time. See “*Summary of Other Material Agreements – Waratah Public Fund Agreement*”.
- (128) “**Waratah Fund Units**” means the class F trust units issued by the Waratah Fund.
- (129) “**Waratah**” means Waratah Capital Advisors Ltd., the manager of the Waratah Fund.
- (130) “**Waratah Underlying LP**” means the Waratah One X Limited Partnership.
- (131) “**Wholesaler Fee**” has the meaning ascribed to the term under the heading “*Compensation Paid to Sellers and Finders – Wholesaler Fee*”.
- (132) “**\$**” means Canadian Dollars.

SUMMARY OF THIS OFFERING MEMORANDUM

The following is a summary of the principal features of this Offering Memorandum and should be read together with the more detailed information contained elsewhere in this Offering Memorandum. Certain terms used in this Offering Memorandum are defined in the Glossary of Terms.

Trust Investment Objectives:

The Trust Investment Objectives are to provide: (a) in the case of Class I, Class II and Class III Units, primarily income from the Trust's investment in the Private Portfolio (through the Private LP); (b) in the case of Class I and Class II Units only, primarily capital gains from the Trust's investment in the Public Portfolio (through the Public LP); and (c) in the case of Class I and Class II Units only, lower volatility and increased risk-adjusted returns by bringing together two asset classes that are not strongly correlated to each other in one security (*i.e.*, the Class I Units or the Class II Units, either of which gives exposure to both the Private Portfolio and the Public Portfolio) while maintaining the individual asset class returns. See "*Business of the Trust – Investment Objectives of the Trust*" and "*Absolute Return Investing*".

The Private Portfolio and the Public Portfolio:

The investment rationale of the Trust is to provide investors with a positive absolute return through an indirect investment in two separate portfolios:

- (a) **THE PRIVATE PORTFOLIO** – A portfolio managed by the Manager, who will seek, directly and/or indirectly, to provide primarily income, and will: (i) invest in a diversified portfolio of securities issued primarily by private issuers (*i.e.*, issuers that are not reporting issuers under securities legislation), which securities are expected to provide income and other investment returns in various forms (*e.g.*, interest, dividends, royalties, equity, debentures, and related interests, factoring arrangements, etc.); and (ii) provide loans and other forms of financing primarily to private issuers (collectively, the "**Private Portfolio**"). The Private LP will seek to exercise a degree of control and direction over the investee issuers to the extent reasonably possible and may utilize various investment tactics and active management to do so. See "*The Private Portfolio*".
- (b) **THE PUBLIC PORTFOLIO** – A portfolio managed by a third-party portfolio manager, which is expected to provide primarily capital gains (the "**Public Portfolio**"). Securities of one or more Public Funds will be held by the Public LP. See "*The Public Portfolio*".

See "*Business of the Trust – Investment Objectives of the Trust*" and "*Absolute Return Investing*". For an illustration of the investment structure through which the Trust will participate in the Private Portfolio and the Public Portfolio, see "*The Investment Structure – Diagram of the Structure*".

Units Offered:

The Trust is offering Units in three Classes. Class I Units and Class II Units provide investors indirect exposure to the investment performance of the Private Portfolio and the Public Portfolio. While Class III Units provide investors indirect exposure to the investment performance of the Private Portfolio only.

Unit Class	Initial Private Portfolio Allocation (purchase of Private LP Units) ⁽¹⁾	Initial Public Portfolio Allocation (purchase of Public LP Units) ⁽¹⁾
Class I	90%	10%
Class II	10%	90%
Class III	100%	0%

Note:

⁽¹⁾ The percentages shown in the table refer to the Initial Allocation of the Net Proceeds of the Offering. The actual relative interest in the Private Portfolio and the Public Portfolio for each Class of Units will change over time. See “*Business of the Trust – Initial Allocation*” and *Schedule “A”*.

Subscribers can choose the relative exposure they prefer between private or public investments by choosing between the Classes of Units offered. Subscribers whose primary objective is to seek income will prefer Class I Units and Class III Units. Those whose primary objective is to seek capital gains will prefer Class II Units. See “*Units Offered*”.

Investment Criteria:

The Private LP will primarily invest in securities of issuers in the Consumer and Commercial Finance Industry, the Real Estate Industry, the Health Care & Medical Industry, the Infrastructure Industry, the Resource Industry, Technology Industry and the Service Industry (collectively, the “**Target Industries**”). The Manager reserves the right to invest in a security that may fall outside of the specified Target Industries, *provided that* the aggregate amount of such investments does not represent more than 30% of the Private Portfolio at the time of investment, and the Manager holds a good faith belief, acting reasonably, that it is an attractive risk-adjusted investment and suitable for the portfolio for increased diversification or expected returns (collectively, the “**Non-Target Industries**”).

To support the Investment Objectives of the Private LP, the Manager will make loans to issuers and the nature and extent of its due diligence will vary depending on the size of Loan. In its investment identification and selection process, the Manager may use a top-down, quantitative and qualitative analysis of macroeconomic, political, market, and industry information including, central bank policy, growth rates, inflation expectations and employment data and other economic and market data and economic indicators as input factors when assessing and selecting any Target Industries or Non-Target Industries. The Manager may then use bottom-up analysis when selecting individual issuers based on the management team, the viability of the business model, cash flows, collateral, security ranking, banking covenants and legal, operational, and business issues that may impact the safety, security or valuation of the investment.

In order to achieve the Private LP’s Investment Objectives, the Manager may invest, directly and/or through Indirect Managed Investments, in securities of, or provide loans or other forms of financing to, issuers in the Target Industries and Non-Target Industries (the “**Eligible Investments/Loans**”). See “*The Private Portfolio – Investment Process of the Private Portfolio – Direct Investments/Loans versus Indirect Managed Investments/Loans*”.

The Private LP Investment Limits require that the Private LP shall not, at the time of investment, invest more than: (i) 33% of the Net Asset Value of the Private LP in securities of a single issuer except for Indirect Managed Investments where a Specialized Manager has provided adequate diversification across various industries in the issuer’s underlying portfolio; (ii) 50% of the Net Asset Value of the Private LP in a single Target Industry; (iii) 30% of the Net Asset Value of the Private LP in Non-

Target Industries; (iv) 20% of the Net Asset Value of the Private LP in direct or indirect ownership of real estate; (v) 20% in securities of reporting issuers; and (vi) 50% of the Net Asset Value of the Private LP in Indirect Managed Investments. The Private LP Investment Limits shall only be in effect at the time investments are made, and the portfolio will not be rebalanced to meet these limits in the circumstances where any investment subsequently increases in value or decreases relative to the size of the total portfolio and thereby breaches an investment limit. See “*The Private Portfolio – Investment Policies and Restrictions of the Private Portfolio – Private LP Investment Limits*”.

To support the Public LP’s Investment Objectives (*i.e.* achieve capital gains by investing in securities of one or more Public Funds managed by experienced and reputable investment managers with a proven track record, which Public Fund or Public Funds, in turn, invest in securities of reporting issuers purchased in the public markets where liquidity is generally more readily available than is the case for securities of private issuers), gross proceeds raised from the sale of Public LP Units will be used to purchase securities of each Public Fund. The Public Funds at present consists solely of securities of the Waratah Fund, but may be replaced or complimented with the addition of another fund or funds that increase the diversification of the Public Portfolio. See “*The Public Portfolio*”.

Closing Dates: Closings will take place on such Valuation Dates as are determined by the Trustee in its sole discretion.

Income Tax Consequences: There are important tax consequences to investors holding Units. Subscribers should consult their own tax advisors in respect of an investment in Units. See “*Certain Canadian Federal Income Tax Considerations*”.

Eligibility for Registered Plans: The Trust has been advised that, provided that the Trust qualifies as a “mutual fund trust” for purposes of the Tax Act at all relevant times, the Units will be qualified investments for Registered Plans. Investors should consult their own tax advisors in respect of an investment in Units. See “*Eligibility for Registered Plans*”.

Selling Agents: The Trust has retained Pinnacle, a registered exempt market dealer, as the principal Selling Agent in respect of the distribution and sale of the Units, and the Trust may choose to retain additional Selling Agents. The Trust is a related and connected issuer of Pinnacle. Certain principals of Pinnacle are the same as those of the Trustee and the General Partners, including all of the executive officers of the Trustee and the General Partners. See “*The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure*”.

No up-front selling commission is paid to Pinnacle or to any additional Selling Agents in connection with the Offering. However, certain other fees are paid in connection with the Offering including, but not limited to, the Trailer Fee, the Dealer Fee and the Offering Costs Fee, while other additional fees may be paid, such as the Wholesaler Fee. See “*Compensation Paid to Sellers and Finders*”.

Conflicts of Interest: The Trust, the Manager and the General Partners have adopted a Conflict of Interest Policy, a copy of which is available upon request by contacting the Manager at info@pinnaclefunds.ca. See “*The Investment Structure – Conflict of Interest Policy*”.

The actions of certain directors, officers, employees and agents of the Trustee, the Manager and the General Partners may from time to time be in conflict with the activities of the Trust. Such conflicts are expressly permitted by the terms of the Trust Indenture. See “*The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure*” and “*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*”.

Distributions: The investment structure of the Trust generates distributions from the Private Portfolio through the Private LP. The Private LP makes monthly distributions on issued and

outstanding Private LP Units held by the Trust in the Series Asset Pools in respect of each Class and series of Unit issued by the Trust.

The Trust will make monthly distributions to Unitholders that vary by Class and series of Units. The different rates of monthly distribution are attributable to a number of variables, including the proportion of Private LP Units in the Series Asset Pool, different Target Distribution Rates and different levels of fees. As a result, monthly distributions on Units will vary across the Classes and series of Units and will change over time. For a discussion of how monthly distributions are characterized and how they differ from Class to Class and series to series of Units, see “*Distributions – Distributions at the Trust level – Trust Unit Target Distribution Rate*” and, in particular, see Table 7 for an important illustration.

The Trust will also make annual distributions to Unitholders in the event monthly distributable cash exceeds the applicable Hurdle Rate set for each series of Units, after payment of expenses and applicable fees, which surplus funds will be retained in the relevant Series Asset Pool as part of the Performance Pool. If there are funds in the Performance Pool at the end of each year, the Trust will make the Performance Distribution to the holders of the relevant Class and series of Units, and will pay the Performance Fee to the Manager. See “*Distributions – Annual Performance Distributions*”.

Neither the monthly distributions at the Hurdle Rate, nor the Performance Distribution, is guaranteed and is subject to the risks set out herein. See “*Risk Factors – Risks Associated with the Trust – No Assurance of Achieving Investment Objectives or Distributions*”.

DRIP:

The Trust has adopted a distribution reinvestment plan (the “**DRIP**”) that allows eligible Unitholders to elect to have the monthly cash distributions on the Class and series of Units held by them reinvested in additional Trust Units of the same Class and series on the Distribution Payment Date at a purchase price equal to the NAV per Unit at such time.

Redemption:

A Unitholder may redeem Units on the last Business Day of any fiscal quarter (a “**Redemption Date**”), subject to certain restrictions, by providing written notice to the Trustee not less than 60 days prior to the Redemption Date. Any redemption must be in increments of 10 whole Units of each applicable series (unless redeeming all Units of the applicable series held by the Unitholder). The Redemption Amount shall be paid on the Redemption Payment Date.

See “*Summary of the Trust Indenture – Redemption of Units*”.

See also the discussion of redemption restrictions and Early Redemption Charge immediately below in this Summary.

Redemption Restrictions:

Units cannot be redeemed for the first six months following the date the investment was completed and the Units in question were issued.

The Redemption Amount for Units paid by the Trust may not be paid in cash in certain circumstances but, instead, may be paid in whole or in part by the issue of Trust Redemption Notes by the Trust. For a description of the circumstances in which Trust Redemption Notes may be issued, see “*Summary of the Trust Indenture – Redemption of Units – Trust Redemption Notes*”.

Trust Redemption Notes will *not* be qualified investments for Registered Plans. Accordingly, investors who hold Units through Registered Plans should consult their own tax advisors prior to exercising redemption rights. See “*Eligibility for Registered Plans*” and “*Risk Factors*”.

Early Redemption Fee:

As noted above, Units cannot be redeemed for the first six months following the date the investment was completed and the Units in question were issued. However, an Early Redemption Charge applies for the next six months thereafter, as follows:

- (a) Unitholders other than holders of Class III Units, series S: where the Unitholder redeems Units after six months, but before twelve months, following the date on which those Units were issued, the Unitholder is required to pay the Early Redemption Fee. The Early Redemption Fee is an amount equal to: (a) \$150 plus (b) 1.5% of the gross Redemption Amount of such Units on the Redemption Date.
- (b) Holders of Class III Units, series S: **Holders of Class III Units, series S, can be redeemed such Units at any time without payment of the Early Redemption Fee.**

No redemption charge, including the Early Redemption Fee, is payable on the redemption of any Class or series of Units after such Units are held for twelve months.

See “*Summary of the Trust Indenture – Redemption of Units*”.

Manager:

The Partnerships and the Trust have retained the Manager to, among other things, provide general administrative and support services, portfolio management, investment advisory and investment management services, administrative and other services to the Partnerships and will also provide the Partnerships with office facilities, equipment and staff as required. The Manager will identify, analyze and select investment opportunities, structure and negotiate prospective investments, make investments for the Partnerships in securities, monitor the performance of such investments, and determine the timing, terms, and method of disposition of investments. Certain principals of the Manager are the same as those of the Trustee, the Manager and the General Partners.

Management Fee:

Pursuant to the Portfolio Management Agreement, the Private LP and the Public LP, respectively, will pay the Management Fee to the Manager for acting as the portfolio manager of the Trust and the Partnerships at the rates set out below, which rates vary by class and are reflective of the different Initial Allocation among Private LP Units and Public LP Units in connection with the three classes of Units.

	Class I		Class II		Class III			
	Serie s A	Serie s F	Serie s A	Serie s F	Serie s A	Serie s B	Serie s F	Serie s S
Management Fee ^{(1) (2)}	1.85%		0.75%		2.0%			

Notes:

- (1) The Management Fee is calculated separately for each Class and series of Units on each Valuation Date and is expressed as a percentage of the NAV per Unit. The Management Fee is shown in the table as an annualized rate.
- (2) The Management Fee is paid by the Trust to the Manager monthly in arrears pursuant to the Portfolio Management Agreement. “*Summary of the Trust Indenture – Distributions – Treatment of Expenses payable in respect of Public LP by the Trust*” and “*Summary of Other Material Agreements – Portfolio Management Agreement*”.

Any Management Fee attributable to any period of less than one full month (whether as to the Partnership generally or to any Limited Partner) will be prorated appropriately and will be payable on the first day of such period. At the sole discretion of the Manager, payment of the Management Fee or any accrual thereof may be waived.

Term of the Fund:

Subject to the other provisions of the Trust Indenture, the Trust shall continue for a term ending on the earlier of (i) the dissolution or termination of both Partnerships in accordance with the Partnership Agreements; or (ii) 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on March 31, 2016. For the purpose of terminating the Trust, the Trustee shall commence to wind-up the affairs of the Trust on such date as may be determined by the Trustee.

Trustee:

The Trustee of the Trust is Pinnacle Absolute Return Trustee Corp., a corporation incorporated under the CBCA. The Trustee is a wholly owned subsidiary of the Manager. Certain officers and directors of the Trustee are the same as those of the Manager and of the General Partners. See “*The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure*” and “*The Investment Structure – Conflict of Interest Policy*”. See also “*The Investment Structure – Diagram of the Structure*”.

Risk Factors:

It is recommended that each Subscriber, in order to assess tax, legal and other aspects of an investment in Trust Units and, indirectly, underlying LP Units, obtain independent advice with respect to the Offering and this Offering Memorandum. An investment in the Trust Units and, indirectly, underlying LP Units, is subject to significant risk from, among other things, changing economic and market conditions. Following is a list of some of the most significant risk factors:

This is a speculative offering. An investment in Units is appropriate only for Subscribers who have the capacity to absorb a total loss of their investment. Subscribers who are not willing to rely on the sole and exclusive discretion and judgment of the Trustee, Manager and the, General Partners should not subscribe for Units.

There is no market for Units and the transfer of Units is significantly limited and in some circumstances prohibited. An investment in Units should only be considered by those Subscribers who are able to make and bear the economic risk of a long-term investment and the possible total loss of their investment.

Qualification as a mutual fund trust. If the Trust ceases to qualify as a “mutual fund trust” within the meaning of the Tax Act, the Units will cease to be qualified investments for Registered Plans which will have adverse tax consequences to Registered Plans and their annuitants, holders or beneficiaries. In addition, if the Units are or become a prohibited investment for an RRSP, RRIF, TFSA, RDSP or RESP, adverse tax consequences may result to the holder, annuitant or subscriber thereunder, as applicable. See “*Eligibility for Registered Plans*”.

There is a risk that an investment in the Trust will be lost entirely. Only investors who do not require immediate liquidity of their investment, who understand the risks and who can afford the loss of their entire investment should consider the purchase of the Units. See “*Risk Factors*”.

USE OF AVAILABLE FUNDS

Funds Available

The following table discloses the estimated Net Proceeds that will be available to the Trust in the event the Maximum Offering is completed.

	Maximum Offering ⁽¹⁾
Amount to be raised by this Offering	\$50,000,000
Selling Commissions and Fees ⁽³⁾	N/A
Estimated Offering Costs ⁽²⁾	\$ 750,000
Available funds	\$49,250,000
Additional sources of funding required	N/A
Working capital deficiency	N/A
Total	\$49,250,000

Notes:

- (1) There is no minimum Offering. Units may be offered on a continuous basis. To date, the gross aggregate proceeds raised by the Trust is \$18,545,462.
- (2) The costs of the Offering including, but not limited to, legal, accounting, printing, marketing including promotional events, due diligence expenses and translation costs in connection with the preparation of this Offering Memorandum and related matters (the “**Offering Costs**”), are estimated to be up to \$750,000 based on a Maximum Offering of \$50,000,000. Pinnacle has assumed the obligation to pay the Offering Costs but seeks reimbursement from the Trust. Accordingly, the Trust will impose a fee of 1.5% of the subscription price per Unit, except for Class III Units, series S where such fee is 0.75% of the subscription price (the “**Offering Costs Fee**”) and will pay this amount to Pinnacle until Pinnacle is fully reimbursed for the Offering Costs. As at December 1, 2017, Pinnacle has received Offering Cost Fees in the aggregate amount of \$272,737. The Offering Costs Fee is deducted from the gross proceeds of the Offering at each Closing and will provide incremental reimbursement to Pinnacle as the Offering progresses. Pinnacle bears the risk that the Offering Costs will not be fully reimbursed if the Offering does not generate sufficient gross proceeds. See “*Compensation and Fees Paid to the Manager – Offering Costs Fee*”.
- (3) No upfront selling commissions are charged in connection with the Offering. However, the Trust will pay the Dealer Fee and the Trailer Fee monthly in arrears to dealers and dealing representatives, respectively, on an ongoing basis in respect of investments made in Units. In addition, and on a one-time basis at each applicable Closing, the Trust will pay the Offering Costs Fee described above and may pay the Wholesaler Fee to wholesalers, if applicable. See “*Compensation Paid to Sellers and Finders*” and “*Compensation and Fees Paid to the Manager*”.

Use of Available Funds

The following table sets out the proposed use of the Net Proceeds by the Trust.

Description of intended use of available funds listed in order of priority

	Assuming Maximum Offering
Investing in the Private LP Units and Public LP Units ⁽¹⁾	\$49,250,000
Total	\$49,250,000

Notes:

- (1) Available funds or the Net Proceeds of the Offering consists of the gross proceeds from the Offering less the Offering Costs Fee and the Wholesaler Fee (if applicable). The Trust will use the Net Proceeds from the Offering to subscribe for LP Units of the Partnerships in an allocation based on the class of Unit purchased, in accordance with the Trust Indenture. See “Units Offered”.

Reallocation

The Trust will only invest the Net Proceeds from the Offering in accordance with the Trust Investment Objectives, strategies and restrictions as described herein and will not reallocate funds for any other purpose.

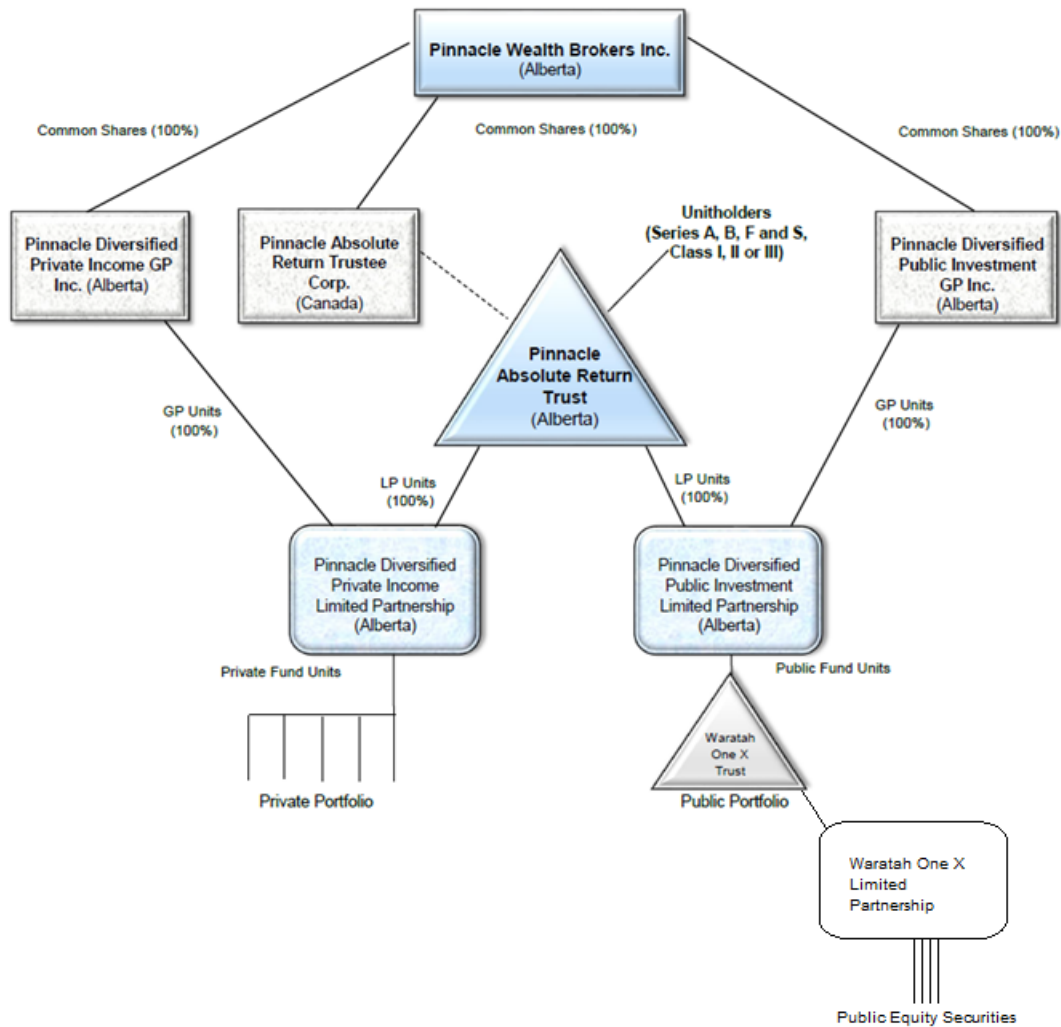
Insufficient Proceeds

The Net Proceeds of this Offering may not be sufficient to accomplish the Trust Investment Objectives. However, the Offering is being conducted on a continuous basis and the Trust has already surpassed both (i) the original minimum offering amount of \$2 million set at the launch of the Offering in 2016, and (ii) \$10 million of Net Proceeds invested in the Private LP (the investment restrictions in the Private Portfolio did not apply until investment reached that level).

THE INVESTMENT STRUCTURE

Diagram of the Structure

The following diagram outlines the structure of the Trust and its various related entities.



Notes:

- (1) This diagram is provided for illustrative purposes, is intentionally non-technical in nature and is qualified in its entirety by the detailed information found elsewhere in this Offering Memorandum.
- (2) Pinnacle, the principal Selling Agent, is an exempt market dealer and the Manager of the Trust, the Private LP and the Public LP. See *"The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure"*.
- (3) Solid lines indicate an ownership interest. Broken lines indicate a contractual relationship or service capacity.
- (4) Class I and II Units are offered in series A and series F only, however, the Trust has previously offered series B, Class I and II Units. Class III Units are offered in series A, series B, series F and series S. For prior sales of these Units, see *"Prior Sales"*.

Details of the Structure

The Trust

The Trust is an unincorporated, open-ended, limited purpose mutual fund trust formed under the laws of the Province of Alberta on March 31, 2016, pursuant to the Trust Indenture. The principal place of business of the Trust is 250-15 Royal Vista Place NW, Calgary, Alberta T3R 0P3.

A Subscriber will become a Unitholder of the Trust upon the acceptance by the Trust of such Subscriber's subscription. The rights and obligations of Unitholders and the Trustee are governed by the Trust Indenture and the laws of the Province of Alberta and Canada applicable thereto.

It is intended that all requirements necessary for the Trust to qualify as a "mutual fund trust" (as defined in the Tax Act) will be met and continue to be met. The Trustee has advised counsel that the Trust meets the requirements necessary for it to qualify as a mutual fund trust and intends to continue to so qualify. See "*Certain Canadian Federal Income Tax Considerations - Eligibility for Registered Plans*". However, the Trust is not, and will not become, a "mutual fund" as defined by applicable Canadian securities legislation and the Trust does not operate in accordance with the requirements of the Canadian securities regulations applicable to mutual funds. Accordingly, certain investor protections contained in those regulations are not available to Subscribers of Units. In addition, the Trustee is not a trust company and is not registered under applicable legislation governing trust companies.

The Trustee

The Trustee was incorporated under the CBCA on March 7, 2016 and was extra-provincially registered in Alberta on April 1, 2016. The Trustee is a wholly owned subsidiary of the Manager. The principal place of business of the Trustee is 250-15 Royal Vista Place NW, Calgary, Alberta T3R 0P3. The Trustee is responsible for the management and control of the business and affairs of the Trust on a day-to-day basis in accordance with the terms of the Trust Indenture. However, the Trustee, on behalf of the Trust, has retained Pinnacle, as Manager, to carry out the duties of the Trustee under the Trust Indenture and has delegated to Pinnacle, as Manager, the power and authority to manage and direct the day-to-day business, operations and affairs of the Trust pursuant to the Management Agreement.

The Manager

Pinnacle, the manager and portfolio manager of the Trust, the Public LP and of the Private LP, was incorporated on November 19, 2009 under the ABCA and manages, along with the Trustee, the business and affairs of the Trust. The head office and the registered office of Pinnacle is 250-15 Royal Vista Place NW, Calgary, Alberta T3R 0P3. Pinnacle is extra-provincially registered in British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland and Labrador and New Brunswick. Pinnacle is registered as an exempt market dealer in the Selling Jurisdictions (except Prince Edward Island, Yukon Territory, Nunavut and the Northwest Territories), a portfolio manager in Alberta and Ontario and an investment fund manager in Alberta, Newfoundland and Labrador, Ontario and Quebec.

Pinnacle will provide certain portfolio management, administrative and support services to the Trust pursuant to the terms of the Management Agreement and Portfolio Management Agreement. See "*Summary of Other Material Agreements*" for a summary of the Management Agreement and the Portfolio Management Agreement.

The Partnerships

The Partnerships were each formed in the Province of Alberta on March 4, 2016 pursuant to the Partnership Act, by the filing of the certificate of limited partnership in accordance with the Partnership Act. See "*Summary of the Partnership Agreements*" for further information regarding the Partnerships.

The General Partners

The Private LP General Partner was incorporated on December 30, 2015 under the ABCA and is the general partner of the Private LP. The Public LP General Partner was incorporated on December 30, 2015 under the ABCA and is the general partner of the Public LP. The head office of each General Partner is 250-15 Royal Vista Place NW, Calgary, Alberta T3R 0P3. Each of the General Partners is a wholly owned subsidiary of the Manager.

Subject to the delegation of certain powers to the Manager pursuant to the Management Agreement, the General Partners control and have responsibility for the business of the respective Partnerships, to bind the Partnerships and to admit Limited Partners and do or cause to be done in a prudent and reasonable manner any and all acts necessary, appropriate or incidental to the business of the Partnerships. Each General Partner is liable by law, as a general partner, for the debts of its respective Partnership.

Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure

The following relationships should be considered by prospective investors in Units of the Trust:

- the Trust and the Partnerships are related and connected issuers of Pinnacle, Pinnacle being the principal Selling Agent of the Offering and the Manager of the Trust and the Partnerships;
- the General Partners are affiliates of Pinnacle;
- Darvin Zurfluh, Brian Koscak are officers and directors of Pinnacle. Darvin Zurfluh, Brian Koscak and Jonathan Aikman are also officers and directors of the Trustee and of the General Partners. Lloyd McDonald, a member of the Pinnacle executive team, is also a director and officer of the Trustee and of the General Partners;
- Pinnacle is the principal Selling Agent of the Offering; however, Units may also be offered by other Selling Agents;
- Pinnacle is entitled to receive certain fees in its capacity as the Manager of the Trust, such as the Management Fee and Performance Fee. In the event that a Performance Fee is payable, Pinnacle may, in its discretion, share up to 50% of the Performance Fee with dealing representatives of record in respect of the Units in question, subject to applicable securities laws (see “*Trust Matters – Distributions – Annual Performance Distributions – Performance Fee Profit Sharing with Dealing Representatives*”);
- offering costs of the Trust, initially funded by Pinnacle, are repaid through the Offering Costs Fee based on the sale of Units on the Offering, in respect of which Pinnacle also acts as the Principal Selling Agent;
- Pinnacle may provide wholesaling services directly, and if so, the Wholesaler Fee will be paid to Pinnacle in accordance with the Expense Payment Agreement;
- the Trustee and the General Partners are wholly owned subsidiaries of Pinnacle. Darvin Zurfluh is the principal shareholder of Pinnacle;
- the services of the individuals who serve as officers and directors of the Trustee and the General Partners are not exclusive to the Trust or the Partnerships, respectively;
- Pinnacle may receive compensation for providing certain services to the Manager for the benefit of the Trust and/or the Partnerships, which services will be paid in accordance with the Expense Payment Agreement from amounts paid to the Manager; and
- certain officers and directors of the Trustee, the General Partners and the Manager are engaged in Pinnacle’s business as an exempt market dealer, investment fund manager, and portfolio manager, which may include the promotion, management and investment management of other investment vehicles and funds.

Pinnacle has adopted a Conflict of Interest Policy in connection with its relationship as a related and connected issuer of the Trust.

See “*The Investment Structure – Governance of the Trust and the Partnerships*”, “*The Investment Structure – Conflict of Interest Policy*” and “*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*”.

Governance of the Trust and the Partnerships

As of the date of this Offering Memorandum, the Trustee and the General Partners have the same officers and directors, four (4) of which are officers and/or directors of Pinnacle. See *“Interests of Directors, Management and Principal Holders”*.

In order to provide for better governance and to address certain Conflict of Interest Matters, the by-laws of the Trustee and the General Partners require, among other things, the following: (a) at least one (1) member of the board of directors of each of the Trustee and the General Partners (collectively, the **“Boards”** and each being a **“Board”**) must be Independent (the **“Minimum Independent Director Requirement”**); (b) the Trustee and the General Partners have adopted the definition of “Independence” as set out in National Instrument 81-107 - *Independent Review Committees (NI 81-107)* in selecting the Independent directors and the terms **“Independence”** and **“Independent”** are used in that context in this Offering Memorandum. Although reference is made to NI 81-107 for purposes of determining Independence, the Trustee and the General Partners are not subject to or governed by NI 81-107; (c) the officers and/or directors of the Trustee and the General Partners must bring all Conflict of Interest Matters to the attention of the applicable Board and any Conflict of Interest Matter in any authorizing resolution requires the unanimous agreement of all Independent Board members then sitting as Board members, in addition to the requisite majority of non-Independent directors voting in favour of such a resolution; and (d) if a Board has no Independent director, then no Conflict of Interest Matter can be approved by a Board. Pinnacle as the sole shareholder of the Trustee and the General Partners, may, in its sole discretion, elect to appoint more than one Independent director to a Board.

Pinnacle, as sole shareholder of the Trustee and of the General Partners, has elected the same six directors to each Board, two of whom in each case are Independent. The election of two Independents exceeds the Minimum Independent Director Requirement. Duriya Patel and Gary Doran are the Independent directors on each Board. See *“Interests of Directors, Management and Principal Holders – Management Experience”*.

See also *“The Investment Structure – Conflict of Interest Policy”*.

Conflict of Interest Policy

Pinnacle has developed a proprietary product conflict of interest policy dated April 5, 2016, as amended as of December 1, 2017, and as it may be further supplemented, amended and/or amended and restated from time to time (the **“Conflict of Interest Policy”**) since the Trust is a related and connected issuer of Pinnacle.

The Trustee, the General Partners and Pinnacle have implemented the Conflict of Interest Policy in response to Conflict of Interest Matters involving an investment product that Pinnacle manufactures, promotes, manages and distributes, such as this Offering (each being a **“Pinnacle Proprietary Product”**). The Conflict of Interest Policy seeks to identify existing material Conflict of Interest Matters and those that Pinnacle reasonably expects to arise in connection with a Pinnacle Proprietary Product, and respond appropriately through avoidance, control and/or disclosure in accordance with Applicable Laws.

The Conflict of Interest Policy addresses various Conflict of Interest Matters by building in procedures to provide for, among other things, advance disclosure of conflicts, approval of Conflict of Interest Matters by independent board members of a related and/or connected issuer, imposing Subscriber investment limits for Pinnacle Proprietary Products, requiring an open-architecture platform to be maintained, encouraging the engagement of third party dealers as Selling Agents of the Offering, providing fair and balanced product training and compensation to dealer representatives, prohibiting duplication of fees, disclosure protocols involving issuers Pinnacle pays or who receive a referral fee and developing an Expense Allocation Policy to provide for the fair allocation of fees and expenses as between Pinnacle as Manager and each of the Trust and the Partnerships.

Investor Alignment Program

Pinnacle, as the Manager, seeks to align itself with investors in the event that there is an impairment of the investments in the Private Portfolio. Accordingly, Pinnacle and its registered dealing representatives and those of other Selling Agents have agreed to implement the **“Investor Alignment Program”** whereby they will take a 50% reduction in the Management Fee and the Trailer Fee attributable to Private LP Units held by the Trust in certain circumstances relating to the impairment of the investments in the Private Portfolio with a view to using the foregone fees to generate new value for investors in the Private Portfolio. The Investor Alignment Program relates only to the Trust’s investment in the Private Portfolio through the Private LP.

Information about the Investor Alignment Program, including, but not limited to, its objective, triggering events, duration of applicability, for how long, taxation and related matters are set out at Schedule “B” attached to this Offering Memorandum.

ABSOLUTE RETURN INVESTING

The Concept of Absolute Return

The Manager intends to follow an absolute return investment strategy that seeks to generate consistent positive returns, uncorrelated to market returns, in all market conditions, even when capital markets are volatile, flat or falling. Institutional investors continue to allocate to absolute return strategies as a significant proportion of their portfolios. For example, as of June 2016, the Yale Endowment had its largest allocation in its portfolio to absolute return strategies. Absolute strategies composed approximately 22.1% of the portfolio, and the Yale Investment Committee approved plans to increase their absolute return target position further.¹ Note that investments made by institutional investors are not necessarily suitable for other types of investors. Absolute return strategies and investments may require expertise, advanced due diligence and investment acumen to invest, monitor and divest appropriately and profitably, or to gain from diversification or other portfolio benefits. Also, the investment objectives, risk tolerance, liquidity, duration, and size and diversification of an individual’s portfolio may differ significantly from that of an institutional investor. As such, references to institutional investors historical investments and returns are for illustrative purposes only.²

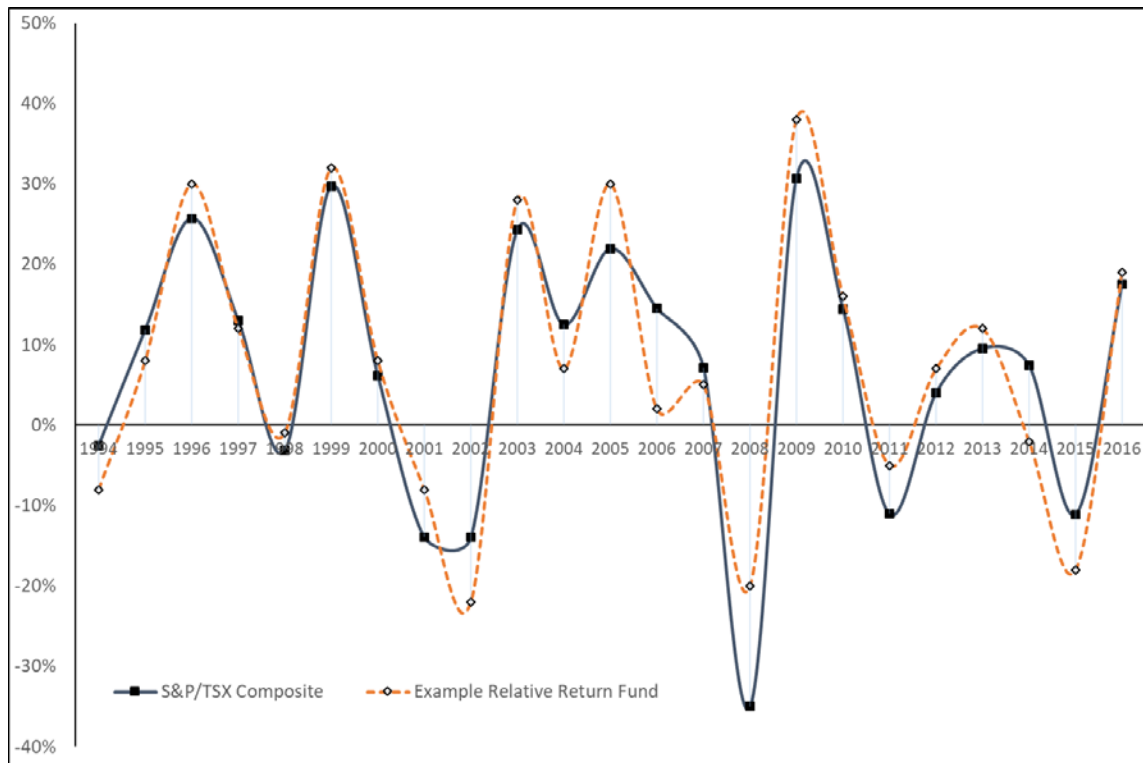
Conventional “relative return” investing measures its success against a benchmark set out by a portfolio manager. By comparison, “absolute return” investing focuses on generating a positive return regardless of industry or market conditions. Where a fund aims to achieve relative returns, a portfolio manager can be considered successful if it outperforms the benchmark, even if both the benchmark and the fund have negative real returns.

To illustrate the point, Graph 1 plots the performance of a hypothetical fund (the “**Example Relative Return Fund**”) against the performance of the S&P/TSX Composite Index. In relative terms, the Example Relative Return Fund would be considered to be successful in 2008 since it beat the benchmark index’s performance, even though in that year it yielded a lesser negative return overall (-20%) relative to the Example Relative Return Fund (- 35%).

¹ See Yale Investment Office, Annual Report, 2016, Investment Policy, page 7..

² Please note that investment strategies of institutional investors may not be suitable for other investors, due to differences in risk preference, requisite expertise, liquidity, duration and investment horizon of individual investments and portfolios.

GRAPH 1 – Relative Return Fund Example



Source: IStock1, http://www.Istock1.com/Istock1_766.htm S&P/TSX Composite Index” (Accessed: 2017-07-27).

The fund performance in *Graph 1* is hypothetical and is purely for illustrative purposes and only to assist in explaining the concept of absolute versus relative return investing strategies. **Reference to the word “absolute” is used to demonstrate the focus on positive returns alone, without reference to a benchmark, and it does not signify a guarantee or promise of positive returns. In certain periods, the Trust may have a negative return despite having an absolute return investment strategy and target return.** See “*Risk Factors – Risks Associated with the Trust – No Assurance in Achieving Investment Objectives or Distributions*”.

Volatility

The Manager’s investment thesis for the Trust is to produce investor returns that are less volatile in comparison to a traditional fund of public issuer securities by combining a diversified and yield-driven Private Portfolio with an alternative absolute return oriented Public Portfolio.

Expressions like “lower volatility” and “smoothed out return profile” are used to illustrate the potential beneficial impact of the Manager’s investment thesis on investment volatility — this does not signify a guarantee or promise of a reduction or elimination of volatility. In any period, the Trust’s investment performance may experience volatility and that volatility may be substantial. See “*Risk Factors – Risks Associated with the Trust – No Assurance in Achieving Investment Objectives or Distributions*”.

Correlation

Correlation is a statistical measure of how two assets perform in relation to each other. A correlation of +1.0 indicates a 100% correlation in which the two return profiles of the assets would move in step whereas a correlation of -1.0 would indicate that the two assets move in complete opposite directions of each other. A correlation of 0 would indicate no statistical relationship in how the two assets move with each other. The concept of ‘moving’ means the change in value of the asset.

Correlations are used in portfolio management to assess and potentially lower total portfolio risk. By adding an asset with an imperfect correlation to a portfolio, one creates a portfolio that mitigates some of the volatility through

diversification. The effect of having two or more asset classes that do not move together, or in some cases move in opposite directions (negative correlation) lowers volatility and can provide a more stable portfolio over time. If one uses volatility as a measure of risk, we can begin to understand the principle of how diversifying a portfolio with asset classes with a lower correlation can reduce portfolio risk.

Historical empirical evidence suggests that the combination of private debt and public securities in a single portfolio (due to a lower correlation between the two asset classes), may lower volatility for the combined portfolio. This means the addition of private debt into an investment portfolio comprised of securities in traditional asset classes (*e.g.*, corporate bonds, high-yield bonds, 10-year U.S. treasury bonds and the S&P 500 Index) may reduce that portfolio's risk.

TABLE 1 – Correlation between Private Debt* and Public Assets: 1999-2015

Asset Class	Correlation Coefficient With Private Debt
Corporate Bonds	0.30
High-Yield Bonds	0.75
10 Year U.S. Treasury Bonds	-0.48
S&P 500 Index	0.52

* "Private debt" refers to small and middle market direct loans up to US\$500M

Source: TIAA Global Asset Management, <https://www.nuveen.com/Home/Documents/Default.aspx?fileId=70176>,
"Private debt: The opportunity for diversification with illiquid assets" (Accessed 2017-07-26) .

Private debt offers hard to access, capital-constrained investments and it holds diversification benefits with low or negative correlations to investment-grade corporate, government bonds and equity (*Table 1*). Correlations with high-yield bonds were high because both categories are lower credit quality than that of investment grade. While private debt is primarily lending to private issuers or businesses, the investment may be in other areas of the capital structure, invest in different securities, and may use different investment tactics in order to effect an absolute return strategy.

Large institutional investors, such as the Canadian Pension Plan Investment Board ("CPPIB"), along with many large pensions, insurance companies, financial institutions, high-net-worth investors, charities, universities and endowment funds, are shifting more of their portfolio assets into private investments with an absolute return strategy at an increasing pace. In the period from fiscal year end (March 31) of 2005 to 2010, CPPIB's asset allocation to private investment increased from 4.3% to 23.6% (see *Table 2*, below). Over the following five-year period from 2010 to 2015, the proportion of the total allocation increased to 40.7%. As at March 31, 2017, private investments comprised 48.1% of CPPIB's asset pool. The total value of investments grew from \$3.5 billion to \$152.5 billion, representing more than a fortyfold increase. CPPIB's private investments also became more diverse with the number of categories growing from three in 2005 to six in 2017.

TABLE 2 – Growth of Private Market Investing Programs Managed by CPPIB

Asset Type (in \$ billions)	Dec 31, 2005	Dec 31, 2010	Dec 31, 2015	Dec 31, 2016	March 31, 2017
Private Equity	2.9	16.1	50.4	51.5	57.8
Real Estate	0.4	7.0	30.3	36.7	40.1
Infrastructure	0.2	5.8	15.2	21.3	24.3
Other Real Assets	-	-	-	2.3	8.7
Private Debt	-	0.9	8.0	17.0	16.8
Private Real Estate Debt	-	0.3	3.8	4.1	4.8
TOTAL	3.5	30.1	107.7	132.9	152.5
% of Net Investments	4.3%	23.6%	40.7%	47.6%	48.1%

Source: Canada Pension Plan Investment Board, http://www.cppib.com/documents/1591/2017_Annual_Report.pdf, “Fiscal 2015 Report” (Accessed: 2017-07-26).

Notwithstanding the foregoing, there are differences between institutional investors (such as CPPIB) and retail investors in relation to their financial circumstances, risk tolerance, time horizon and investment objectives. It is strongly encouraged that investors discuss the Private Portfolio with their dealing representative and/or financial advisor to ensure it is a suitable investment.

Although the Private Portfolio and the Public Portfolio at the time of an investor’s Initial Allocation represent a value and weighting which consist of private issuers in the Private Portfolio and public/reporting issuers in the Public Portfolio, it is expected that any investment decision made by an investor, in consultation with their dealing representative and/or financial advisor, will consider all relevant factors and risks, including the proportion of an investment made in Class I Units (predominantly in securities of the Private Portfolio), Class II Units (predominantly in securities of the Public Portfolio) and/or Class III Units (solely in securities of the Private Portfolio).

Market Neutral Investment Strategy

What does a “market neutral” strategy mean?

A market-neutral strategy is a type of investment strategy undertaken by an investor or a portfolio manager that seeks to profit from both increasing and decreasing prices in one or more securities, while attempting to reduce overall market risk. Market neutral strategies are often attained by taking matching long and short positions in different securities to add value through security selection and reduce the risk from sector or market movements, or by hedging out market risk.

How does a market neutral strategy work?

There is no single accepted method of tactically implementing a market-neutral strategy. The common theme is that market-neutral managers are focused on absolute, as opposed to relative, returns. They typically take offsetting positions in securities within an industry reducing their sector exposure and lowering risk. A market neutral strategy seeks to eliminate all sector-specific risks by investing in long positions and short positions in each sector to achieve zero or close-to-zero exposure to all relevant sectors. For example, a market-neutral position may involve taking a 50% long, 50% short position in a particular industry, or several equivalent-offsetting positions in the broader market.

Table A exemplifies a market neutral strategy. In the example, it is assumed hypothetically for demonstration purposes only, that Alpha Energy Company (**Alpha**) is in the energy sector selling at \$10/share, and Beta Energy Company (**Beta**) is also in the energy sector selling at \$5/share. For simplicity, it is also assumed that there are no commissions or transaction costs and they have the same number of shares. The portfolio is insulated from the market and sector risks (Alpha’s long position offsets Beta’s short position, neutralizing the sector risk) and will benefit if shares of Alpha outperform shares of Beta. As shown in the table, the market neutral strategy is exposed to only stock specific risks.

TABLE 3 – Market Neutral Hypothetical Example

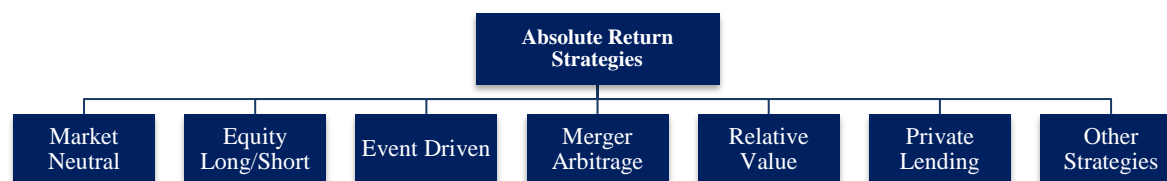
	Long Position	Short Position	Net
Action	100 shares of Alpha	200 Shares of Beta	No Exposure
Net Exposure to Energy Sector	$(100 \times \$10) = +\1000	$(-200 \times \$5) = -\1000	No Net Exposure to Energy
Net Exposure to Market (TSX)	$(100 \times \$10) = +\1000	$(-200 \times \$5) = -\1000	No Net Exposure to Market
Strategy Type	Market Neutral		

The market neutral strategy seeks to add value through stock selection while hedging sector exposure. It aims to capitalize on a portfolio managers' stock selection skills and provide protection against market and sector risks. The strategy is effected by forgoing certain upside potential from the overall market, but also may avoid negative downside risks.

Why is a market neutral strategy attractive?

The market neutral strategy is a sub-set of the absolute return strategies. See *Chart 2*, below:

CHART 2 – Absolute Return Strategies Taxonomy



An advantage of market-neutral funds is their emphasis on constructing portfolios to mitigate, reduce or eliminate market risk. In times of high market volatility, historical results suggest that market neutral funds are likely to outperform funds using other market-sensitive strategies especially in market disruption periods such as the Global Financial Crisis in 2008-2009. Market neutral strategies historically low correlations to the market specifically because they place specific positions on individual stocks while hedging away general market risk.³

BUSINESS OF THE TRUST

Investment Rationale for the Trust – The PART Advantage

The investment rationale for the Trust is to provide investors with a positive absolute return by investing, indirectly through the Partnerships, in up to two separate diversified Portfolios; the Private Portfolio and the Public Portfolio, depending on the Class of Units acquired by a Subscriber. See “*The Investment Structure – Diagram of the Structure*” and “*Business of the Trust – Investment Objectives of the Trust*”. See also, “*Absolute Return Investing*”.

An investment in Class I Units or Class II Units allows a subscriber to combine the benefits of two distinct professionally managed investment portfolios – one providing potential for significant income generation predominantly from private issuers and the other providing potential for significant capital gains predominantly from public issuers – in a lower correlation asset mix that enhances the prospect of positive absolute returns. See “*Absolute Return Investing*”, “*The Private Portfolio*”, “*The Public Portfolio*” and “*Risk Factors*”.

³ Source: https://www.abglobal.com/cmsobjectabd/pdf/research_whitepaper/marketneutralwhitepaper06.08.12.pdf

Development of the Trust and the Partnerships

The Manager created the Trust as an investment vehicle to focus on providing investors with a diversified private and public investment opportunity, which varies depending on the Class of Unit, by investing in securities of the Private LP and the Public LP.

The Private LP, through its Private Portfolio, seeks to provide income at a Target Distribution Rate that varies per Class and series. The Public LP, through its Public Portfolio, seeks to provide investors primarily with capital gains through an absolute return strategy focused on the public equity markets. The exposure to the Private Portfolio and Public Portfolio varies per Class. See “*Business of the Trust – Initial Allocation*”.

The Trust paid investors an aggregate Performance Distribution of \$1,378 for 2016, with the amount paid to investors varying based on the Class and series of Unit held.

Between June 2016 (when the initial Closing of the Offering occurred) and December 1, 2017, the Trust has raised gross aggregate proceeds of \$18,545,462. The Trust has invested \$12,944,834 in securities of the Private LP (see “*The Private Portfolio – Summary of PART’s Portfolio – Private Portfolio*”) and \$5,322,445 in securities of the Public LP. The Public LP invested in class F units of the Fiera L/S Fund, which was redeemed. The Public LP then invested \$4,612,973 into the Waratah Fund, net of redemptions (see “*The Private Portfolio – Summary of PART’s Portfolio – Public Portfolio*.”).

Past performance is not indicative of future results. For more information, see the 2016 audited annual financial statements of the Trust attached to this Offering Memorandum.

The Trust had engaged a wholesaler for a period of time and a Pinnacle staff member also provided such services for a short period of time. See “*Compensation Paid To Sellers And Finders – Wholesaler Fee*”.

Change of Portfolio Manager

In October 2017, Jonathan Aikman became Pinnacle’s new Chief Investment Officer and Portfolio Manager, which services are provided to the Trust, the Private LP and the Public LP. See “*Interests of Directors, Management and Principal Holders – Management Experience*”.

Amendments to Trust Indenture and Private LP Agreement

Effective December 1, 2017, the Trust Indenture and the Private LP Agreement were amended to:

- (a) add the Service Industry and Technology Industry as Target Industries for increased diversification;
- (b) with its review of any such loans/investments, as approved by the CIO;
- (c) add a new series S to the Class III Units, having the differential features described under “*Summary of the Trust Indenture – Units*” and in Chart 1, Table 8, Table 11 and Table 12 (see also “*Compensation and Fees Paid to the Manager – Performance Fee*” and “*Trust Matters – Distributions – Distributions at the Trust Level – Differential Hurdle Rates and Fees*”);
- (d) add the requirement to provide the Redemption Note Issuance Notice if Redemption Notes are to be issued by the Trust; and
- (e) remove the Manager’s discretion to charge a redemption fee of up to \$150 so no redemption fee can be charged if an investor redeems 12 months or more after the date on which the Units in question were issued, leaving only the Early Redemption Fee payable where a redemption occurs between 6-12 months following the date of issuance of the Units being redeemed (for more information on the Early Redemption Fee, including that it does not apply to redemption of Class III Units, series S, see “*Summary of the Trust Indenture – Redemption of Units*”).

For a description of the Trust Indenture, see “*Summary of the Trust Indenture*”.

Development of the Private LP

The Private LP has made various investments since inception. The existing investments made by the Private LP are set out in “*The Private Portfolio - Summary of PART’s Portfolio – Private Portfolio.*”

The Private LP has also successfully exited a bridge financing secured by real estate that was used to purchase certain car washes in the southern United States. This loan was paid out in May 2017. This financing was to a firm that Pinnacle has an established relationship and whose securities were distributed by Pinnacle at the time of the investment. The investment involved a Conflict of Interest Matter that was approved by the board of directors of the Private LP General Partner, which included the unanimous approval by its independent directors.

Development of the Public LP

The Public LP’s initial Public Fund was the **Fiera L/S Fund**. Pursuant to the Fiera Funding Agreement, the Public LP had a reserve allocation to acquire up to \$20,000,000 of securities of the **Fiera L/S Fund** that expired at the end of June 2017. Accordingly, the Manager reviewed the Fiera L/S Fund and decided to invest in another Public Fund as its Public Portfolio required additional investment opportunities. See “*The Public Portfolio – Initial Public Fund – Fiera Long/Short Equity Fund.*”

The Manager investigated various alternative investment managers and selected the Waratah Fund. The Waratah Fund is a privately offered market neutral fund with a low net exposure long short portfolio of North American equities. The Manager redeemed its position entirely in the Fiera L/S Fund and selected the Waratah Fund in accordance with the Public Fund Selection Criteria. See “*The Public Portfolio – Manager’s Selection of the Waratah Fund.*”

Investment Objectives of the Trust

Three Components of the Investment Objectives

The investment objectives of the Trust are to provide the following:

- (a) in the case of Class I, II, and III Units, primarily income from the Trust’s investment in the Private Portfolio through the Private LP in their relative proportion in each Class, respectively;
- (b) in the case of Class I and Class II Units only, primarily capital gains from the Trust’s investment in the Public Portfolio through the Public LP; and
- (c) in the case of Class I and Class II Units only, lower volatility and increased risk-adjusted returns by bringing together two asset classes that are not strongly correlated to each other in one security (*i.e.*, the Class I Units or the Class II Units, either of which gives exposure to both the Private Portfolio and the Public Portfolio) while maintaining the individual asset class returns,

(collectively, (a), (b) and (c) are the “**Trust Investment Objectives**”).

See “*The Private Portfolio – Investment Objectives of the Private Portfolio*” and “*The Public Portfolio – Investment Objectives of the Public Portfolio*”.

Long Term and Short Term Objectives of the Trust

None of the Trust, the Private LP and the Public LP has an objective that varies over the long term or the short term. The Trust's Investment Objectives apply at all times and comprise the investment objectives of the Private LP and Public LP, respectively, subject to allocation in proportion to Class of Units issued by the Trust. The Private LP's objective is primarily to profit from the revenues derived from the interest, fees and other debt-related returns from the Private Portfolio. The Public LPs objectives are to make absolute returns in the public equity markets and potentially to achieve capital gains in connection with the Public Portfolio.

What the Trust will do	Target completion date	Costs to complete
The Trust shall invest in securities of the Private LP and the Public LP based on Class of Unit of the Trust	Ongoing throughout the next 12 months	Up to \$49,250,000. ¹
Payment of Fees	Ongoing throughout the next 12 months	Indeterminable ²

Notes:

- (1) This amount assumes the Maximum Offering net of the Offering Costs Fee at the rate of 1.5% of the aggregate subscription amount. The actual amount will vary depending on the Class and series; specifically, the Offering Cost Fee for a Class III Unit, Series S is 0.75% of the subscription amount.
- (2) The Fees to be paid are undeterminable at this time since it will vary depending on the Class and series of Units issued.

Income

Income will be generated by the Private LP through direct and indirect investments and/or loans and other forms of financing into businesses whose underlying operations are able to achieve a greater return than their cost of capital from the Trust. The Manager will seek to provide loans and other forms of financing, and to make investments in securities, that generate a yield to the Trust that is sufficient to pay the distribution with a 'profit margin' or a margin of safety' after expenses, subject to the level of risk, collateralization, term, duration, capital structure, seniority, and other considerations being acceptable and appropriate to the Manager. See "*The Private Portfolio*".

Capital Gains

The Trust will seek capital gains for the investors purchasing Class I and Class II Units by investing, through the Public LP, in units of the Public Funds. The Public Fund will target equity-related absolute returns through investments in the public equity markets. However, some income may result from dividend-paying stocks or other forms of income. See "*Summary of PART's Portfolio*" – "*The Public Portfolio*" – "*Waratah One X Trust*" and "*Waratah One X Limited Partnership*".

Lower Correlation

The unique feature of the investment structure used by the Trust is the combination in a single security (*i.e.*, either of the Class I Units or the Class II Units) of two distinct lower correlation asset classes. The potential benefits of investing in asset classes that are not strongly correlated to each other are described above under the heading "*Absolute Return Investing*" above.

Indirect Investment in the Private Portfolio and the Public Portfolio

The Trust was established for the purposes of investing indirectly, through the Partnerships, in two very different portfolios with a view to achieving the Trust Investment Objectives. The investment rationale of the Trust is to provide investors with a positive absolute return through indirect investment in these two portfolios:

- (a) **THE PRIVATE PORTFOLIO** — A portfolio managed by the Manager, who will seek, directly and/or indirectly, to: (i) invest in a diversified portfolio of securities issued primarily by private issuers (*i.e.*, issuers that are not reporting issuers under securities legislation), which securities are expected to provide income and other returns in various forms (*e.g.*, interest, dividends, royalties and factoring arrangements, etc.), and

may also provide limited secondary opportunity for capital gains; and (ii) provide loans and other forms of financing primarily to private issuers or businesses (collectively, the “**Private Portfolio**”). See “*The Private Portfolio*”.

- (b) **THE PUBLIC PORTFOLIO** — A portfolio managed by third party portfolio managers, which are each expected to provide capital gains and not generate cash distributions (the “**Public Portfolio**”). Securities of one or more Public Funds comprising the Public Portfolio will be held by the Public LP. See “*The Public Portfolio*”.

See “*Absolute Return Investing*”.

For an illustration of the investment structure through which the Trust will participate in the Private Portfolio and the Public Portfolio, see “*The Investment Structure – Diagram of the Structure*”, above.

Initial Allocation

Investing in Units of the Trust gives investors indirect exposure to the performance of the Private Portfolio and, except for Class III Units, the Public Portfolio. Class I Units predominantly provide exposure to the Private Portfolio, Class II Units predominantly provide exposure to the Public Portfolio and Class III Units provide exposure to the Private Portfolio only. Subscribers can choose the relative exposure they prefer between income or capital gains by choosing between the Classes of Units offered. Those who seek income will prefer Class I Units and Class III Units. Those who seek capital gains will prefer Class II Units.

The Net Proceeds received by the Trust in respect of subscriptions for each Class of Units will be allocated by the Manager to purchase Private LP Units and Public LP Units as follows (the “**Initial Allocations**”):

TABLE 4 – Initial Allocation of Net Proceeds ⁽¹⁾⁽²⁾

Unit Class Designation	Private Portfolio Allocation (purchase of Private LP Units)	Public Portfolio Allocation (purchase of Public LP Units)
Class I Units	90%	10%
Class II Units	10%	90%
Class III Units	100%	0%

Notes:

- (1) The percentages shown in *Table 4* refer to the Initial Allocation of the Net Proceeds of the Offering. The actual relative interest in the Private Portfolio and the Public Portfolio for each Class of Units will change over time, as illustrated in *Schedule “A”*. There will be no rebalancing by the Manager as between the Private LP Units and Public LP Units held in the various Series Asset Pools following the Initial Allocation.
- (2) Notwithstanding that there will be no rebalancing of the LP Units held in the various Series Asset Pools, the Manager may, in its sole discretion, change the Initial Allocation of Net Proceeds from time to time, for the purpose of bringing the allocation of the LP Units held in the Series Asset Pools closer towards the Initial Allocations reflected in the table above.

The Manager, on behalf of the Trust, will make these Initial Allocations into each Portfolio by using the above-noted percentage of the Net Proceeds received by the Trust to purchase Private LP Units and Public LP Units. The LP Units so purchased are then held by the Trust for the account of an investor’s Series Asset Pool, resulting in the performance (*i.e.*, distributions and capital appreciation) of an investor’s series of Units being dictated by the performance of the corresponding LP Units.

As discussed further below, an investor’s exposure to the Portfolios will differ from the Initial Allocation shown above for two reasons: (i) the relative composition of the relevant Series Asset Pool changes over time as a result of the capital appreciation or depreciation of the LP Units held therein (capital appreciation is expected to be significant in the case of the Public LP Units); and (ii) the Trustee exercises its discretion to adjust, from time to time, the Initial Allocation for new investments described in *Table 4* above.

The Public Fund Units are expected to increase in value over time, which in turn would result in an increase to the Redemption Amount of the Public LP Units. However, there is no assurance that the Public Fund Units will increase in value. The Redemption Amount of the Private LP Units will generally not increase over time, and is expected to

remain materially static unless investments made by the Private LP become impaired, in which case the Redemption Amount of the Private LP Units will be reduced in proportion to the impairment.

The combined effect of the redemption of LP Units to fund fees and expenses and the change in the Redemption Amount of the LP Units over time will result in an investor's relative exposure to the Portfolios changing over time. An investor's relative exposure to the Portfolios at any time will not necessarily reflect the Initial Allocations set out above. This is best illustrated by considering the hypothetical values and weighting changes of the Private Portfolio and the Public Portfolio for the Class I Units and the Class II Units for three years after an Initial Allocation, which is set out in Schedule "A" attached hereto based on the assumptions set out therein. The illustrations do not represent actual or projected values and weightings and are for illustration purposes only. No illustration has been provided for the Class III Units since the entire allocation will be invested in LP Units of the Private LP.

Based on the foregoing, investors will therefore want to review the relative values and weightings of the portfolios in their account statements of the Trust from time to time to assess whether they wish to adjust their holdings by further investing or redeeming a portion of their Units within a particular class.

THE PRIVATE PORTFOLIO

The Private LP's investments comprising the Private Portfolio, which will be made up predominantly of securities issued by private issuers are largely income producing securities that potentially enable the Private Portfolio to generate monthly cash distributions with some modest capital gains potential. These distributions to the Trust will enable the Trust to make monthly distributions to its Unitholders.

Investment Objectives of the Private Portfolio

The investment objectives of the Private LP are to invest in a diversified portfolio of private debt and/or equity securities of largely private issuers involving investments and loans, consistent and reliable cash flows capable of supporting a Hurdle Rate cash distribution of 5.5% to 9.0% per annum, after fees and expenses, depending on the Class and series of Unit purchased, plus potential additional Performance Distributions after the Private LP's year-end (the **"Private LP's Investment Objectives"**). There is no assurance the Private LP's Investment Objectives will be achieved. See *"Risk Factors – Risks Associated with the Trust – No Assurance in Achieving Investment Objectives or Distributions"*.

Investment Selection of the Private Portfolio

The Manager will engage in certain types of economic analysis in order to manage risk in the investment identification and selection process for the Private Portfolio. They include a:

- (a) **"top-down"** or macro-economic analysis, which is an analytical and quantitative process that assists in determining where we are in the economic cycle of growth or retraction and the ultimate risk of recession. This is a critical quantitative and qualitative process for a lender as credit losses can increase dramatically in periods of negative growth and are subject to larger economic indicators, such as inflation or deflation, monetary policy, trade issues, imports, exports, consumption, government spending, investment growth, population pyramid characteristics, political change, and other geo-political issues and events; and
- (b) **"bottom-up"** or micro-economic analysis which is an analytical process that involves the monitoring of individual issuers/borrowers in a portfolio, including loan payments history and the trends with respect to arrears in order to identify whether the investment, operational, and business risks are increasing.

In undertaking a bottom-up analysis, the Manager will seek investments in issuers/borrowers that generally have the following characteristics:

- (a) businesses with sustainable business models;
- (b) businesses with recurring revenue and cash flows;
- (c) management teams with a history of success, motivation and incentives to perform;
- (d) the ability of an issuer to pay interest rates/yields consistent with the level of risk; and/or

- (e) whether risks identified can be effectively risk managed or hedged with tools (or proxies) related to the risk exposures, such as specific currency, borrowing or commodity risks; and/or
- (f) whether the issuer will provide collateral, covenants, warranties and appropriate terms to reduce risk and provide investment protections to the Private LP, (collectively, the “**Bottom-Up Characteristics**”).

The Manager will generally seek to identify and invest in issuers that have satisfied both top-down and bottom-up factors (including the Bottom-Up Characteristics) prior to making an investment. All issuers will complete the standard due diligence review of issuers/borrowers. See “*The Private Portfolio*” – “*Investment Selection of the Private Portfolio*” below.

Description of Target Industries

The Manager will select investments in certain industries as part of its investment selection process. The Private LP’s Target Industries are set out in Table 5 below.

TABLE 5 – Target Industry Classification Methodology

Target Industries	Description
Consumer and Commercial Finance Industry	includes providers of consumer finance services, including personal credit, credit cards, lease financing, mortgage lenders, legal financing, commercial financing, mezzanine lending ⁽¹⁾ , factoring ⁽²⁾ and bridge loans. ⁽³⁾
Real Estate Industry	includes real estate investment trusts and real estate financing and mortgages.
Health Care & Medical Industry	includes health care equipment and supplies, health care providers and services, health care technology, health care equipment, health care supplies, health care distributors, health care services, health care facilities, managed health care and health care technology.
Infrastructure Industry	includes transportation infrastructure, utilities, electric utilities, gas utilities, multi-utilities, water utilities, airport services, highways and rail tracks, marine ports and services, oil and gas storage and transportation, alternative energy producers, warehouses, grain terminals and food and commodity storage.
Resource Industry	includes integrated oil and gas and oil and gas and mining exploration and production and resource royalty issuers. It could include non-operating interests in oil and gas wells.
Technology Industry	includes companies engaged in the research, development and/or distribution of technologically-based goods and services, including but not limited to manufacturing of electronics, creation of software, computers or products and services relating to information technology.
Service Industry	includes companies engaged in providing a range of commercial and consumer services including but not limited to the retail, trade, tourism and the hotel industry, advertising, employment agencies, food services, consulting, recreation, profession services; accounting or legal and various trades; including mechanics, plumbers, HVAC, and electricians.

Notes:

- (1) Mezzanine lending is essentially debt capital that gives the lender the right to convert to an ownership or equity interest in an issuer if the loan is not paid back in time and in full. It is generally subordinated to debt provided by senior lenders such as banks and venture capital firms.
- (2) Factoring involves an investor purchasing the accounts receivable from issuers that have a payment date typically 30-90 days out. These receivables are bought by the investor at a discount to their total face value. The issuer uses this mechanism to receive cash from receivables that they can place back into their business immediately at the cost of forgoing the discount that they sold the receivables to the investor for.
- (3) A bridge loan is a type of short-term loan, typically taken out for a period of two weeks to three years, pending the arrangement of larger or longer-term conventional financing.

The Manager is not required to allocate capital to each of the Target Industries above and may allocate capital to some but not all issuers in the Target Industries. Effective December 1, 2017, the Private LP added the Technology Industry and Service Industry as additional Target Industries for increased diversification. The amendment to the Target Industries was made in accordance with the Private LP Agreement effective as at December 1, 2017.

Investing in securities by the Manager, on behalf of the Private LP, includes providing loans or receiving other debt instruments from issuers, such as mortgages. Securities, loans and other debt instruments forming part of the Private Portfolio will be held by the Private LP and/or a wholly owned limited purpose investment vehicle created by the Private LP.

Eligible Investments/Loans

In order to achieve the Private LP's Investment Objectives, the Private LP may make an investment or a Loan directly to an issuer and/or through Indirect Managed Investments/Loans in the Target Industries (the “**Eligible Investments/Loans**”).

The Manager may not have the requisite knowledge, experience and/or registrations or licensing to make certain investments including, but not limited to, investing in mortgages. In such circumstances, the Manager may engage third-party subject matter experts, professionals and/or licensed/registered firms and/or individuals to assist it with its due diligence review and/or investments.

Direct Investments/Loans versus Indirect Managed Investments/Loans

The Private LP can undertake two types of Eligible Investments/Loans:

- (a) ***DIRECT INVESTMENTS/LOANS*** — where the Private LP invests in securities of, or provides loans to, issuers in the Target Industries and/or Non-Target Industries, as set out in “*Private LP Investment Limits*”, as permitted hereunder; and
- (b) ***INDIRECT MANAGED INVESTMENTS/LOANS*** — where the Private LP invests in securities of, or provides loans to, issuers in the Target Industries where a specialized or expert management team (the “**Specialized Managers**”) manages such investments/loans in accordance with established policies and guidelines of the Specialized Manager (“**Indirect Managed Investments/Loans**”).

Indirect Managed Investments/Loans may not involve an investment in securities of, or a loan to, an “investment fund” (as defined under applicable securities laws) and the Specialized Managers may or may not be required to be licensed in order to provide their management services, but could be, such as mortgage brokers who are required to be licensed under applicable mortgage brokerage legislation in Canada. Where the Private LP makes Indirect Managed Investments/Loans, the Manager will seek to ensure that the underlying investments/loans are reasonably well diversified and consistent with the mandate of the Private LP. See “*Risk Factors – Risks Associated with the Trust – Dependence on Investment Professionals*”.

When considering any Indirect Managed Investment/Loans, the Manager expects the Specialized Manager of such a fund/issuer to have a high degree of competence in a particular Target Industry based on years of experience, deep business relationships and/or a sound management philosophy. The Manager would expect a Specialized Manager's investment approach to emphasize capital preservation, low volatility and minimization of downside risk. The Manager would engage in due diligence from the perspective of a long-term investor in connection with any such Specialized Manager and fund/issuer.

Special Purpose Vehicles

Securities and other investments comprising the Private Portfolio may be held by the Private LP directly or by a wholly owned, limited purpose investment vehicles created by the Private LP for that purpose. For the purposes of one investment, Pinnacle has established a special purpose vehicle.

Control and Direction over Investee Issuers

It is contemplated that the Private LP will invest primarily in non-reporting issuers and seek to exercise degrees of control and direction over an investee issuer, to the extent reasonably possible, which may depend, in part, on the size of its investment. The larger the investment, then arguably the greater the degree of direction and control the Private LP may be able to exercise. The Private LP may seek to impose certain positive and negative covenants and restrictions in any subscription, loan or other agreement with an investee issuer. The Private GP may also seek observer status on the board of an investee issuer (including, the right to attend all board meetings, participate in its deliberations and receive all copies of materials) and seek veto rights involving certain management decisions of an investee issuer. The Private LP may also seek to impose certain financial and non-financial reporting and monitoring requirements on

investee issuers (including the right to access an investee issuers' premises to review books and records, compliance certificates and other information the Private LP may reasonably request) and creating security interests over the investee issuer's property in favour of the Private LP, in the event of a default by an investee issuer, whenever possible.

Investment Policies and Restrictions of the Private Portfolio

Private LP Investment Restrictions

In addition to other restrictions described above, investments made in the Private Portfolio shall also be subject to the following investment restrictions, each determined as at the time of investment.

The Private LP shall not:

- (a) except for Permitted Leverage (see "*The Private Portfolio*" – *Investment Policies and Restrictions of the Private Portfolio*" – "*Permitted Leverage*" below), directly engage in any leveraging strategies;
- (b) engage in any undertaking other than the investment of the Private LP's assets in accordance with the Private LP's Investment Objectives and related strategies;
- (c) purchase any security which may by its terms require the Private LP to make a contribution in addition to the payment of the purchase price, provided that such restriction will not apply to the purchase of securities which are paid for on an instalment basis where the total purchase price and the amount of all such instalments are fixed at the time the first instalment is paid;
- (d) purchase securities from, or sell securities to, Pinnacle or any of its affiliates or any individual who is a partner, director or officer of any of them, any employee of Pinnacle or any portfolio managed by Pinnacle;
- (e) purchase any physical commodity; or
- (f) exceed the Private LP Investment Limits described below.

Permitted Leverage

As stated above, the Private LP may engage in Permitted Leverage. "**Permitted Leverage**" means the ability of the Private LP to borrow an aggregate principal amount that is equal to up to 15% of the Net Asset Value of the Private LP. Compliance with this threshold is assessed only at the time funds are borrowed by the Private LP. For greater certainty, the Private LP will not be in contravention of this requirement if the aggregate leverage of the Private LP exceeds 15% of its Net Asset Value at any time, if, at the time funds were last advanced to the Private LP, the aggregate leverage of the Private LP was less than 15% of its Net Asset Value.

The Private LP may borrow funds from a lender in the following circumstances: (a) if funds are required to allocate capital to an attractive lending opportunity (*i.e.*, those with higher returns relative to the risk taken) in a timely manner in the absence of, or in addition to, funds available in the Private LP for any investment; and (b) where the Manager of the Private LP finds it advantageous for the Private LP to lend at higher rates and borrow at lower rates in order to capture the spread on terms not exceeding one-year, and (c) where such funds are required for short-term investment and operational purposes for the Trust (collectively, the "**Permitted Leverage Criteria**").

There is no requirement for the Private LP to engage in any leveraged strategy. If the Private LP enters into a loan, there is also no assurance that the Private LP will do so with a regulated financial institution. In fact, the Private LP may have to obtain any such loan from a non-traditional lender since, among other things, a regulated financial institution may not accept the Private LP's assets (*i.e.*, holdings of securities of private issuers) as acceptable collateral, assuming such collateral is required.

The interest rates, fees and expenses under any loan facility entered into with the Private LP are expected to be typical of credit facilities of this nature and the Private LP may provide a security interest in the assets held by the Private LP in favour of the lender to secure such borrowings. The Private LP will repay any loans from time to time as it determines is in the best interest of holders of Private LP Units.

The Private LP may borrow from Pinnacle or from an affiliate of Pinnacle. In such cases, the borrowing will be at commercially reasonable rates, and will be a Conflict of Interest Matter subject to approval by the independent members of the board of directors of the General Partner.

Related Party Loans and Permitted Leverage

In accordance with the Permitted Leverage Criteria, the Private LP borrowed funds from Pinnacle that were used to finance redemptions and operational and start-up expenses. As at December 1, 2017, there are no amounts or loans outstanding and the total principal plus accrued interest has been repaid to Pinnacle.

Private LP Investment Limits

The Private LP is subject to the following investment limits in managing its investment portfolio, each determined as at the time of investment (collectively, the “**Private LP Investment Limits**”), whereby the Private LP shall not invest more than:

- (a) 33% of the Net Asset Value of the Private LP in securities of a single issuer except for Indirect Managed Investments/Loans where a Specialized Manager has provided adequate diversification across various industries in the issuer’s underlying portfolio;
- (b) 50% of the Net Asset Value of the Private LP in a single Target Industry;
- (c) 30% of the Net Asset Value of the Private LP in Non-Target Industries;
- (d) 20% of the Net Asset Value of the Private LP in direct or indirect ownership of real estate (excluding the interest the Private LP would have as a holder of a mortgage secured against real estate);
- (e) 20% of the Net Asset Value of the Private LP in securities of reporting issuers; and
- (f) 50% of the Net Asset Value of the Private LP in Indirect Managed Investments/Loans.

The calculation of the Private LP Investment Limits is determined as at the date of each investment by the Manager. **If there is a change in the composition of the Private Portfolio and any Investment Limit is exceeded, the Manager is not required to sell any investments/loans within the Private Portfolio to come within the Private LP Investment Limits due to the illiquid nature of the Private Portfolio, provided that the Manager was compliant with the Private LP Investment Limits at the time of the initial investment.**

Number of Issuers

The number of investments/loans made by the Private LP in issuers shall vary depending on a number of factors, including the amount of investable capital at any time and from time to time. The number of issuers in the Private LP’s portfolio will increase as additional funds are raised and invested/loaned by the Private LP with the aim of providing greater diversification and less issuer concentration risk, in the manner set out in Table 6 below (the “**Minimum Number of Issuers Requirement**”).

TABLE 6 – Net Proceeds and Minimum Number of Issuer Requirement

Available Funds	Minimum Number of Issuers
<\$5M	1 issuer
\$5M - <\$10M	2 issuers
\$10M - <\$15M	3 issuers
\$15M - <\$20M	4 issuers
\$20M - <\$25M	5 issuers
Greater than \$25M	6 issuers

Table 6 above sets out an approximation of the number of issuers that may comprise the Private LP's portfolio for illustration purposes only, in order to explain the number of issuers and the constraint on the number of issuers in the Private Portfolio, at any time and from time to time.

Hedging - Currency ETF or Counterparty Position

The Private LP will have the ability to hedge currency exposure to U.S. dollars through spot prices, exchange-traded funds, or a counterparty position with a major Canadian bank. The Private Portfolio will be managed in both Canadian and U.S. dollars but reported in Canadian dollars. As at the date of this Offering Memorandum, the Private LP has not engaged in any hedging since inception.

No Duplication of Fees

The Private LP will not invest in any private issuer that Pinnacle, as an exempt market dealer, offers on its product shelf for direct investment to its investors unless there is no duplication of fees payable to Pinnacle as a dealer and as Manager. See "*The Private Portfolio – Pinnacle's Due Diligence and Approval Process*".

Collection Activities

A Specialized Manager may, directly or indirectly, provide for the collection, handling, prosecuting, administration and settling of any claims involving any issuer it finances as a direct investment within the investment portfolio it manages, including collection proceedings and otherwise enforcing secured loans and other liens and security interests securing its portfolio investment interests.

The Manager will provide those services, or retain the services of the appropriate professionals, as may be required in connection with the collection, handling, prosecuting and settling of any claims of the Private LP with respect to the Private LP's direct beneficial ownership in each commercial loan, including collection proceedings and otherwise enforcing secured loans and other liens and security interests securing the Private LP's interests.

PRIVATE PORTFOLIO

The Private LP provides financing to small-to-medium sized issuers with sufficient collateral and interest coverage, on shorter terms. Pinnacle has experienced growing demand for short-term loans from various sources. Pinnacle constantly assesses the collateral, returns, and liquidity of existing and prospective counterparties. The Private LP seeks diversification across industries as we seek to structure a balanced portfolio that is less affected by changes in the economy or industry specific considerations.

A summary of the Private LP's investment portfolio as at the date of this Offering Memorandum is set out below.

Investment #1 - Indirect Managed Investment

As at December 1, 2017, the Private LP's primary and largest allocation is to an Indirect Managed Investment that provides factoring services to companies across various industry sectors seeking research tax incentives. SR&ED stands for "Scientific Research and Experimental Development" ("SR&ED"), a research incentive program. This is a \$3.0 billion Government of Canada program that supports over 20,000 companies throughout the country.

The companies need to apply for the SR&ED credits through SR&ED consultants. Once vetted and approved, the government will provide these companies with payments typically within 6 to 18 months. Many smaller companies that require funding prefer to work with our counterparty to obtain immediate financing upon approval by assigning their SR&ED credit receivable to our counterparty and the Private LP. The Private LP holds, indirectly through a wholly-owned special purpose vehicle, a first position security ranking on receivables, ranking equally with other lenders, but subordinate in respect of taxes payable to the Government of Canada. The Manager has created a joint lending agreement to manage these receivables and will receive an interest payment and profit sharing incentive through a limited partnership arrangement. This is a scalable investment area with good growth prospects.

Investment #2 – Infrastructure Industry

The Private LP's loan to an issuer in the infrastructure industry is a secured bridge loan to a leader in energy solutions and emissions testing technology and a reporting issuer whose securities trade on the Canadian Stock Exchange. The company completed the acquisition of a leader in air compliance, emissions odour testing and renewable energy serving Ontario and is completing integration of the acquired company.

Investment #3 – Non-Target Industry - Manufacturing

The Private LP has provided a loan to a company in the manufacturing industry" (a Non-Target industry) pursuant to a secured debenture financing. The company has a near global license on patented technology that saves energy and costs, while improving functionality (heating, cooling, light management). The company's executive group collectively has over 30 years' experience in "curtain wall" technology. It is involved in over 300 projects in North America and Korea and is comprised primarily of engineers with specific experience in this and related technology.

Private LP Investments

Investments in Private LP as at December 1, 2017 include the Investments listed above, and include a significant portion of cash to be deployed into other suitable investments.

TABLE 7 – Outstanding Amount of Principal as at December 1, 2017

Target Industry:	Outstanding Amount of Investment as at December 1, 2017:	Maturity Date: ⁴
Infrastructure	\$1,927,739	December 31, 2017
Manufacturing (Non-Target)	\$1,000,000	September 22, 2018
Indirect Manager	\$7,517,292	December 31, 2018
Total	\$10,445,031	

⁴ All Maturity Dates listed in *Table 7* are those current as of December 1, 2017. In certain circumstances, the maturity dates for investments may be extended or shortened, if agreed to by the parties.

As at the date hereof, the above investments/loans satisfy the Private LP Investment Limits and the Minimum Number of Issuers Requirement.

There is also cash on hand to be invested in liquid investments pending the establishment of a trading account with a major Canadian financial institution.

Investment by the Private LP

If the CIO of the Manager authorizes an investment by the Private LP, Pinnacle, as placement agent, will negotiate and complete the transaction, including working with external counsel and Pinnacle's in-house general counsel, in negotiating and finalizing any and all Loan/investment and related legal documents.

As consideration for its services as placement agent, Pinnacle may earn a Placement Agent Fee. Loans may be managed through lending and administration agreements with third parties to create efficiencies and access to specialized credit evaluation and monitoring capabilities. Pinnacle may also earn a Placement Agent Fee in such circumstances, depending on the nature and extent of its engagement.

Offering for Distribution and Investment by the Private LP

Pinnacle can distribute securities of an issuer in its capacity as an exempt market dealer and, as the Manager of the Private LP, invest in securities of the same issuer provided that there is no duplication of fees. See "*The Investment Structure – Conflict of Interest Policy*" and "*Compensation and Fees Paid to the Manager – Placement Agent Fee*".

Target Industry Overview and Trends

Below is the Manager's overview of certain aspects of the Target Industries and related trends.

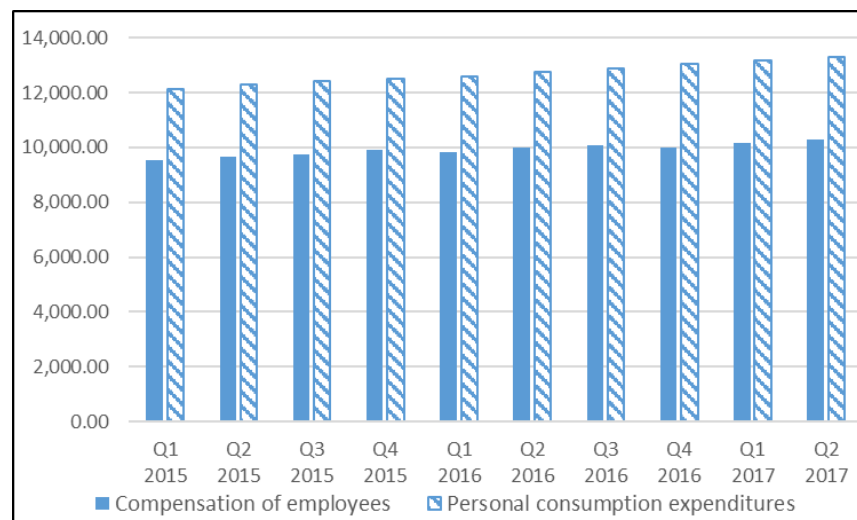
Consumer and Commercial Finance Industry

(a) Consumer Finance Sector

Given the large-accumulation in consumer debt over the last decade, the consumer credit industry has both opportunity and risks. It is a constant source of demand given North American consumption habits but low interest rates (albeit on track for further increases) and cyclical nature makes it important to manage the credit quality, types of exposure, loss rates and collateral to manage the risks.

Graph 3 below compares the amount of U.S. consumption per quarter to wages and salaries. Consumption spending outpaces wages with the deficit being made up with wage supplements and credit financing. Wages and salary figures exclude government and private wage supplements, pension payments and taxes.

GRAPH 3 – Personal Wages versus Personal Consumption (U.S.)

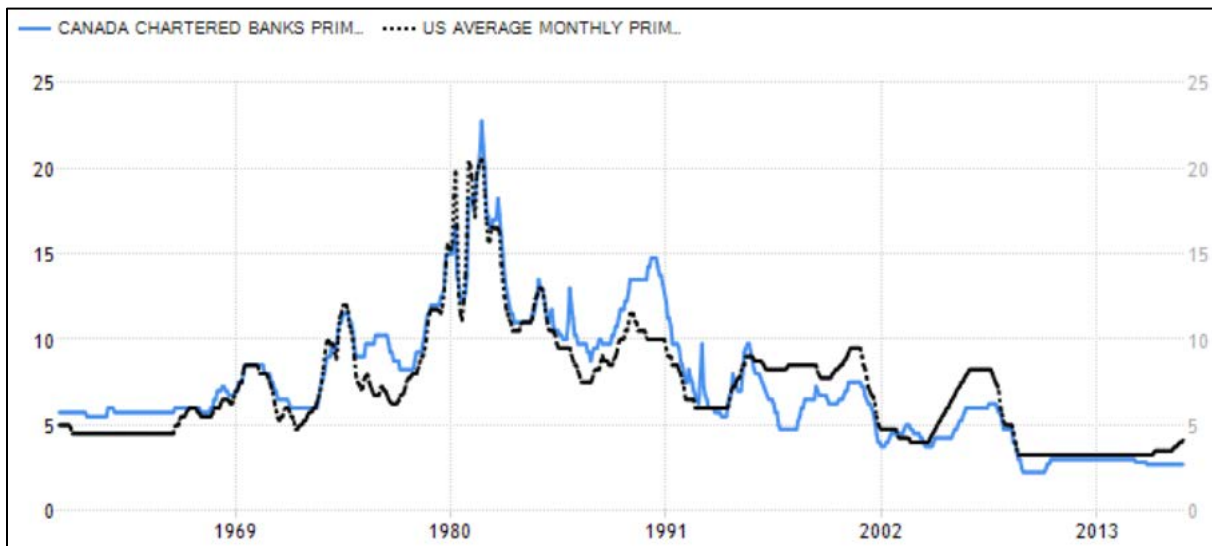


Source: Bureau of Economic Analysis – U.S. Department of Commerce,
<https://bea.gov/iTable/iTable.cfm?reqid=9&step=1&acrdn=2#reqid=9&step=3&isuri=1&903=58>. (Accessed July 28, 2017).

Helping fuel this increased spending is the availability of money given the low interest rate environment. The Manager seeks to capitalize on investment opportunities in North America that may arise from this ongoing consumption demand. The Manager may seek investments in lending or leasing opportunities to manufacturers of consumer goods or short-term financing opportunities for consumer financing companies lending to end-use buyers.

Graph 4 below illustrates the interest rate environment in both Canada and the United States by plotting the Canadian Prime Rate and U.S. Bank Lending Rate over time.

GRAPH 4 – Canadian Chartered Banks Prime Rate versus U.S. Bank Lending Rate

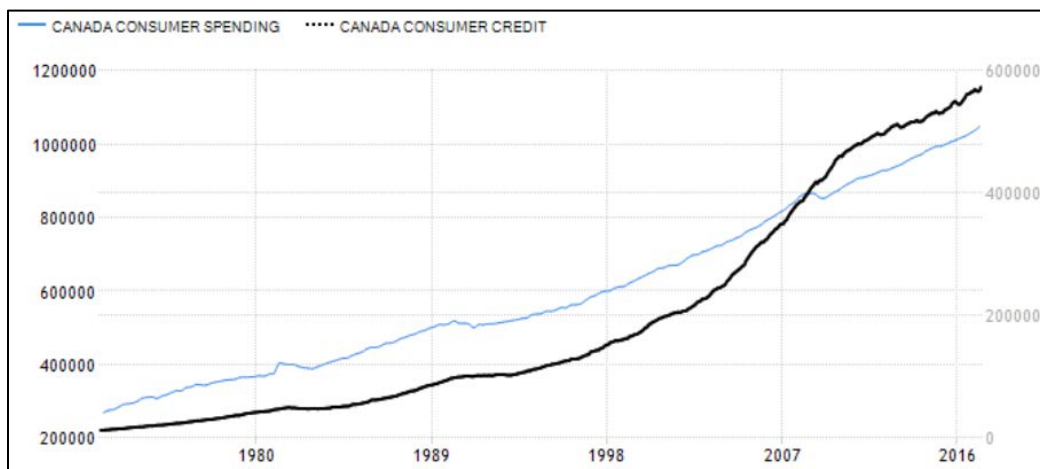


Source: Trading Economics, <https://tradingeconomics.com/canada/bank-lending-rate> (Accessed: 2017-07-28).

The low interest rate environment in both Canada and the United States has bolstered consumption that is partly financed by consumer credit. Despite the Bank of Canada's overnight rate increase in July 2017, the Manager believes that interest rates will increase at a slower pace on relatively low short-term inflation expectations. Consumer credit includes, amongst other things, credit card loans, personal lines of credit, auto loans, and other personal loans. The Manager may seek investments/loans that take advantage of an increased dependence on credit as the availability of cheaper credit at lower rates presents both an opportunity and a risk to be managed as rates rise with a potential reversion to more normalized government intervention.

Graph 5 below outlines the steady accumulation of Canadian consumer credit up to the fourth quarter of 2016.

GRAPH 5 – Canadian Consumer Spending versus Canadian Consumer Credit



Source: Trading Economics, <http://www.tradingeconomics.com/canada/consumer-spending> (Accessed: 2017-07-28).

Graph 5 above demonstrates that consumer credit and consumer spending are positively correlated and on an increasing trend. This suggests that demand for consumption is correlated with the demand for credit in Canada. The left axis is for Canada consumer spending and the right axis is for Canada consumer credit. The Manager seeks to invest in unique opportunities to capitalize on the sustained demand for credit that could include financing Managed Investments/Loans for automobiles, home improvement, re-financing or more discretionary items, such as recreational assets.

(b) Commercial Financing Sector

There were about 1.14M small businesses in Canada⁵ (by 2015) and 28.77M in the United States⁶ (by 2013). The Business Development Bank of Canada states that small and medium enterprises (“SMEs”) represent 97.9% of Canada’s businesses, account for 9 in 10 private sector jobs and are responsible for approximately 39% of Canada’s gross domestic product (“GDP”)⁷. Given that SMEs are a substantial constituent of our economy, the business of financing their operation is critical to the financial health of Canada. The opportunity stems from a pull back by larger lenders as government regulators require increased capital reserves and larger counterparties to meet domestic and international banking regulations, such as Basel III and Federal Reserve requirements, which impacts their ability to service SME accounts. The result is a unique opportunity where SME borrowers require more capital, and larger lenders are unable or unwilling to provide the capital.

⁵Source: Government of Canada, http://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html#toc-03 (Accessed: 2017-07-28)

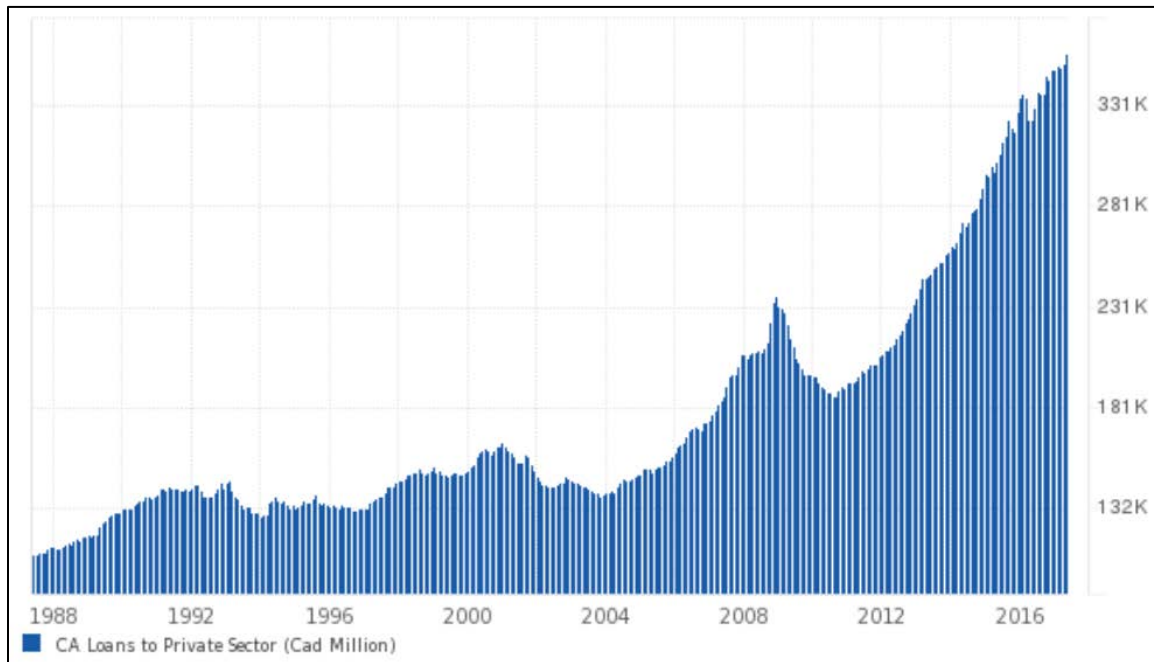
⁶ Source: U.S. Small Business Administration, https://www.sba.gov/sites/default/files/advocacy/United_States.pdf (Accessed: 2017-07-28)

⁷ Source: Business Development Bank of Canada, <https://www.bdc.ca/en/small-business-week/pages/smes-in-numbers.html> (Accessed: 2017-07-28)

Graph 6 below outlines the growth of private lending in Canada over the past decade.

The Manager seeks investment opportunities that capitalize on such growth by selecting investments among SMEs that require lending and are driving this growth in both Canada and the United States. The Manager seeks to finance the growth of SMEs through prudent investment selection that yields attractive returns in accordance with the Private LP's Investment Objectives.

GRAPH 6 – Growth of Private Lending in Canada



Source: IECONOMICS, <http://ieconomics.com/canada-loans-to-private-sector>. (Accessed: 2017-07-28).

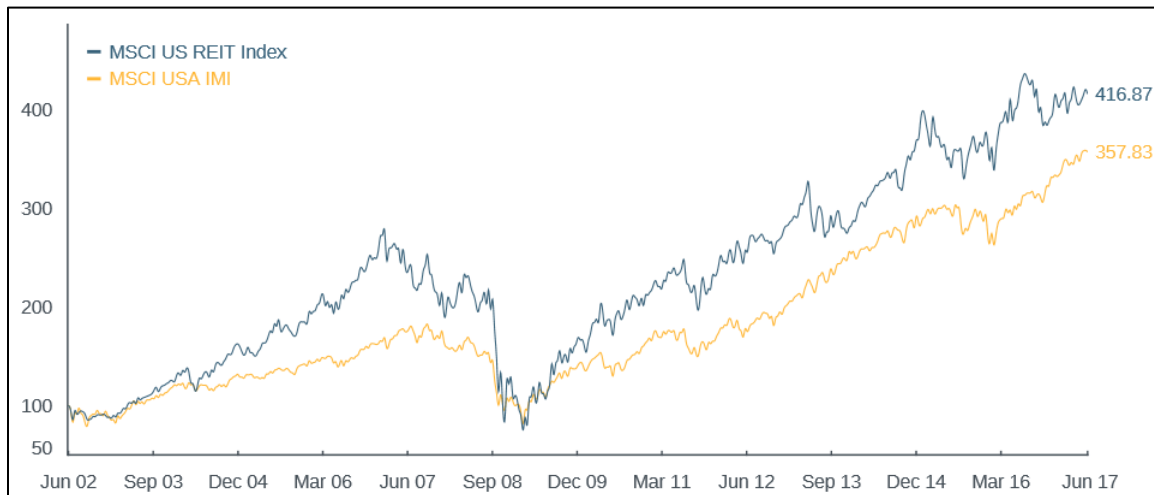
Real Estate Industry

The real estate industry was hit hard during the 2008/2009 economic downturn because of the previous easy access to financing that was linked to excessive leverage, aggressive subprime lending practices, securitization abuses, advanced financial engineering with derivatives, laissez-faire banking regulations that created a housing bubble and ultimately a financial crisis sparked by the failure of a major international broker-dealer, that cascaded into the Global Financial Crisis. Protracted banking deleveraging created a scarcity of traditional financing options that followed the downturn and largely amplified and exacerbated the downward pressure on U.S. real estate markets. Since the downturn, financing is becoming more readily available with more prudent lending practises in the U.S.

Generally, real estate is a favoured private investment due to its 'real or tangible' asset characteristics and is generally known and understood by investors. The increasing number of issuances by publicly traded real estate investment trusts ("REITs") has also helped to increase the knowledge and awareness among investors of real estate investments.

Graph 7 below outlines the performance of the MSCI US REIT Index relative to a comparable broad equity index to illustrate the benefits of REIT investing.

**GRAPH 7 – Cumulative Performance of
MSCI US REIT Index versus MSCI USA Investable Market Index**



Source: MSCI, “MSCI US REIT INDEX” Report, dated June 30, 2017 (Accessed: 2017-07-28).

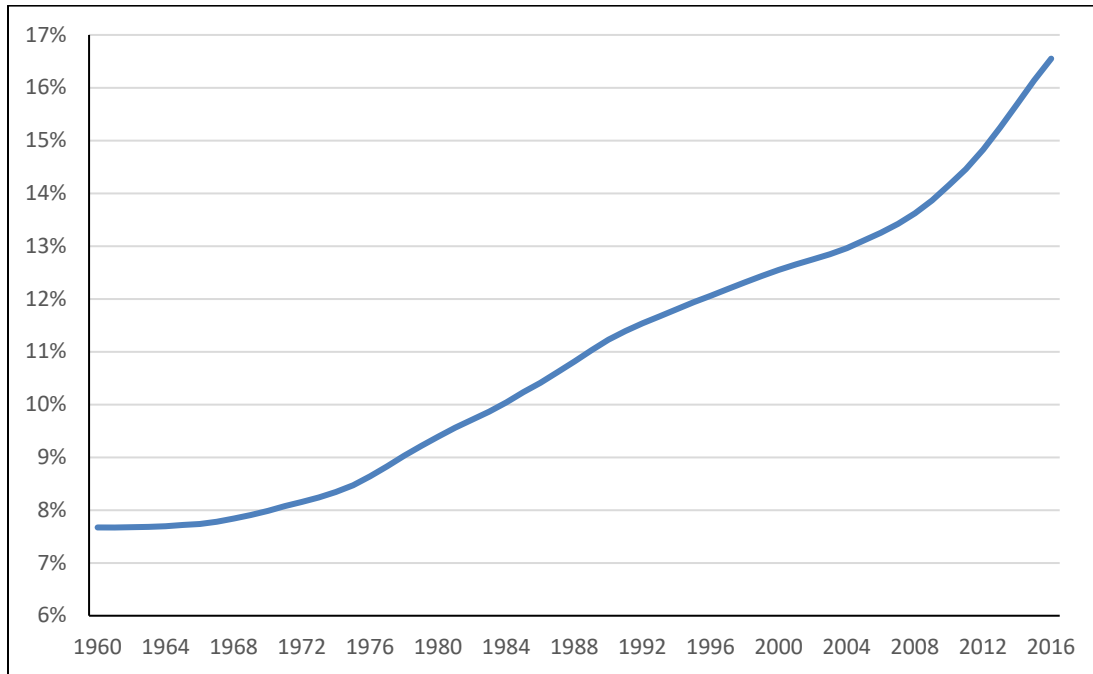
The Manager may consider opportunities from a diverse selection of real estate investing including, raw land, single family, multiple family, industrial, retail, and horizontal and vertical developers. The real estate industry is considered to be a strong source of investment opportunities that may be selected by the Manager for part of the Private Portfolio, subject to the Private LP's Investment Objectives and related investment guidelines.

Health Care and Medical Industry

Canada's population pyramid is changing. Statistics Canada estimates show that, on July 1, 2015, for the first time, there were more persons in Canada aged 65 years or older than children aged 14 years or younger⁸. According to more recent projections, the percentage of people aged 65 years or older in Canada will continue to increase and is anticipated to reach 20.1% in 2024. Graph 8 and Graph 9 below outline the percentage of the population ages 65 and above, expressed as a percentage, of the populations of Canada and the United States. The Manager believes this trend is expected to drive secular demand for health care and medical services over the next 20 years that supports the Private LP's consideration of investment opportunities in the Health Care Equipment and Services Industry.

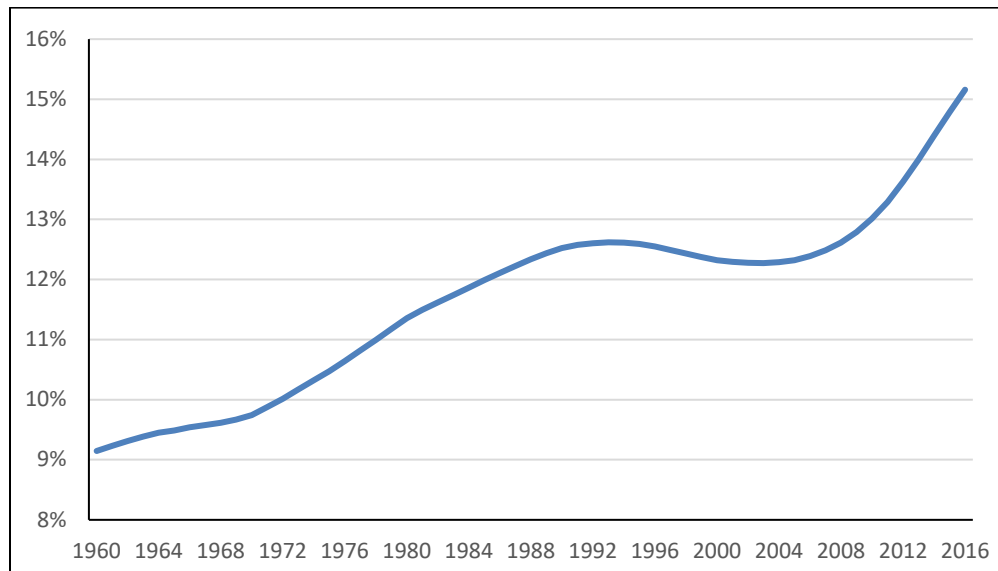
⁸ Source: Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/150929/dq150929b-eng.htm> (accessed: 2017-07-28).

GRAPH 8 – Population aged 65 and above (% of total) in Canada (1960 – 2016)



Source: The World Bank, <http://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS?view=chart> (Accessed: 2017-07-28).

GRAPH 9 – Population aged 65 and above (% of total) in United States



Source: The World Bank, <http://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS?view=chart> (Accessed: 2017-07-28).

The Manager also believes the change in demographics will create opportunities to finance businesses that will benefit from this long-term market growth. This may present financing opportunities in the health care and social services.

Infrastructure Industry

The Government of Canada recognized the need for infrastructure investment in its 2017 Budget (the **Budget**) (Source: Budget 2017, “Building A Strong Middle Class”). The Budget confirmed the Federal Governments long-term plan to commit an additional \$81 billion in infrastructure spending over 11 years. The Budget outlines how investments will be made along six main infrastructure themes including public transit, green infrastructure, social infrastructure, transportation that supports trade, Canada's rural and northern communities, and smart cities. Further, the newly announced Canada Infrastructure Bank was established to act as an arm's-length organization to work with provincial, territorial, municipal, indigenous and private sector investment partners to assist in the way infrastructure is planned, funded and delivered in Canada. While announced in 2016, the intention is to have the Canada Infrastructure Bank operational in late 2017 and will be responsible for investing at least \$35 billion over the next 11 years.⁹

With aging infrastructure due to the relatively low amount of capital spending over the past quarter century, the Manager believes the clear need for future infrastructure spending in Canada. This will create a long-term demand for infrastructure financing that may allow the Manager to source investment opportunities that may pay higher than normal yields due to policy changes and new innovative businesses. Most infrastructure financing is capital constrained in some manner and frequently public/private partnerships are required to put needed services in place. Accordingly, as evidenced by the Canada Infrastructure Bank, governments at all levels are increasingly willing to explore innovative financing structures to bring services to market in a manner that does not overly burden governments or tax consumers.

The American Society of Civil Engineering (the “**ASCE**”) publishes an “Infrastructure Report Card” that discusses the United States’ need for infrastructure. The 2017 ASCE report gave the United States a “D+” rating. According to the ASCE grading scale, this means that in the aggregate, the United States’ infrastructure is in poor to poor-to-fair condition and mostly below standard. A large portion of the United States’ infrastructure system exhibits significant deterioration with many elements approaching the end of their service life. Condition and capacity are of significant concern with a strong risk of failure. ASCE estimates that \$4.59 trillion must be spent to maintain the current U.S. infrastructure with the greatest need being transit, as it was given the lowest rating among all, D-¹⁰. This has created a lag in much needed infrastructure spending in both Canada and the U.S. that the Manager believes will require innovative funding solutions. Pinnacle will seek to find appropriate infrastructure investment opportunities for the Private LP in accordance with the Private LP’s Investment Objectives and its related investment policies and guidelines. According to analysis from The American Society of Civil Engineers, the infrastructure investment gap is costing \$3,100 in lost income per U.S. household. The administration has proposed a \$1 trillion infrastructure plan, and the plan was submitted to Congress for approval on February 28, 2017¹¹. The plan is still under review as of July 28, 2017.

The Canadian Infrastructure Report Card (the “**Report Card**”), submits a similar assessment but for Canada’s infrastructure and is created as a joint effort between the Canadian Society for Civil Engineering, the Canadian Public Works Association, the Federation of Canadian Municipalities and the Canadian Construction Association. The 2016 Report Card states, among other things, that nearly one third of municipal infrastructure was rated as being in “fair, poor or very poor condition”. A grade of “fair” means the infrastructure shows general signs of deterioration and requires attention, with some elements exhibiting significant deficiencies. A “poor” rating is defined as nearing the end of useful life, further deterioration likely, affecting levels of service.¹²

It is apparent from these reports on Canadian and U.S. infrastructure that there is a need for investment in infrastructure projects, both large and small. Many large infrastructure firms have low costs of capital and access to a variety of debt and equity financing. SME firms do not have the same access and consequently may be more capital constrained. The range of SME infrastructure firms requiring investments are limited and are capacity constrained, due to the fit with the duration of debt capital. Debt capital is normally required for several years, if not decades, but some limited investment opportunities do exist. These shorter-duration, smaller size investment opportunities are suitable for the Manager to consider.

⁹ Source: <http://www.infrastructure.gc.ca/CIB-BIC/index-eng.html> (Accessed: 2017-07-28)

¹⁰ Source: <http://www.infrastructurereportcard.org/making-the-grade/report-card-history/> (Accessed: 2017-07-28)

¹¹ Source: <https://www.whitehouse.gov/the-press-office/2017/02/28/president-trump-working-rebuild-our-nations-infrastructure> (Accessed: 2017-07-28)

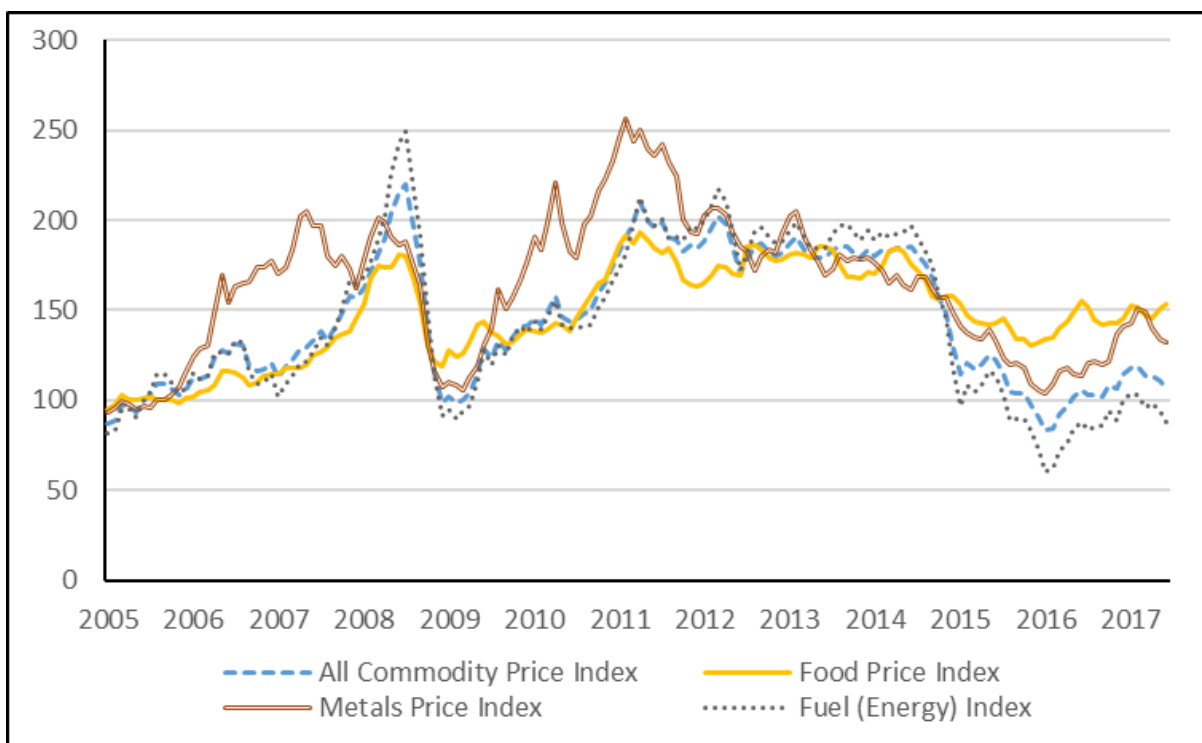
¹² Source: <http://www.canadainfrastructure.ca/en/> (Accessed: 2017-07-28)

Resource Industry

According to the January 2017 World Economic Outlook Update published by the International Monetary Fund, U.S and Canadian gross domestic outputs are projected to grow by 2.3% and 1.9% in 2017, respectively.¹³

This growth, in conjunction with other macroeconomic forces and monetary policies are easing pressure on commodity prices as illustrated from 2016-2017 in *Graph 10* below. The 2014-2016 downturn in commodity prices put downward pressure on companies and countries whose economic models depend on the production and manufacture and export of these raw materials. Given the recent improvement in commodity prices, the Manager is cautiously optimistic regarding certain limited opportunities in the stabilizing commodity markets.

GRAPH 10 – Global Commodity Market Developments (January 2005 – June 2017)
(Base year as 2005)



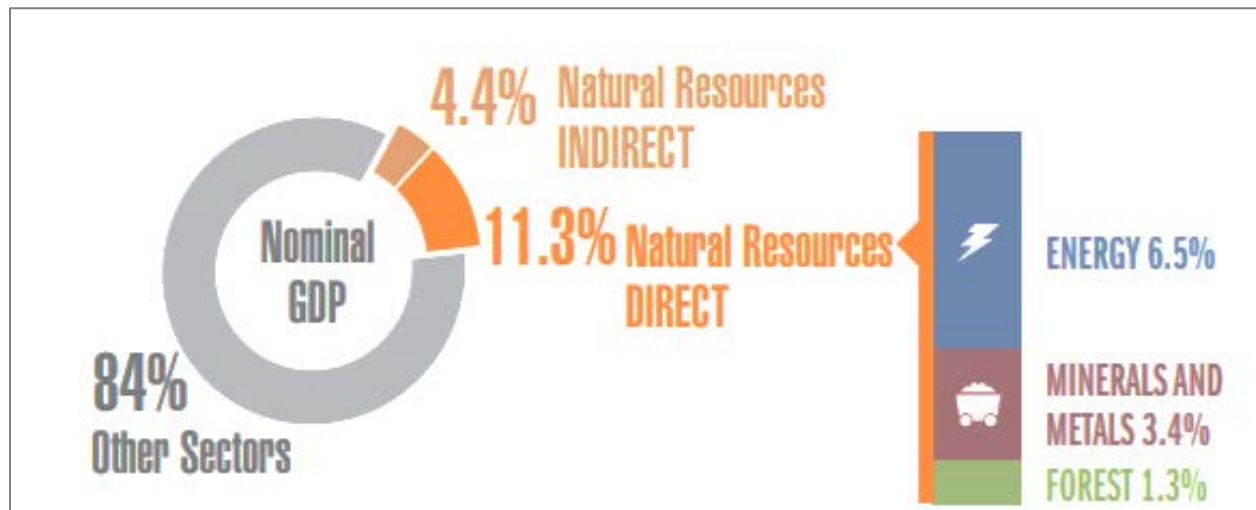
Source: IMF, Primary Commodity Price System, <http://www.imf.org/external/np/res/commod/index.aspx> (Accessed: 2017-07-28)

From a global perspective, the slowing growth in China continues to leave many resource companies with extended balance sheets. In the face of lower commodity prices and shrinking demand there is growing pressure on these firms to find alternative financing options. These resource companies continue to look to cut costs, refinance and restructure. This presents an opportunity for the Manager to consider directly and/or indirectly financing these companies in select areas, with a focus on asset-based lending opportunities.

¹³ Source: <https://www.imf.org/external/pubs/ft/weo/2017/update/01/> (Accessed: 2017-07-28)

Graph 11 below outlines the dependence of the Canadian economy on its robust natural resources (*i.e.*, 16% of the contribution to Canada's nominal GDP in 2016).

GRAPH 11 – Canada's Reliance on Natural Resources (2016)
Contribution to Nominal GDP (%), 2016



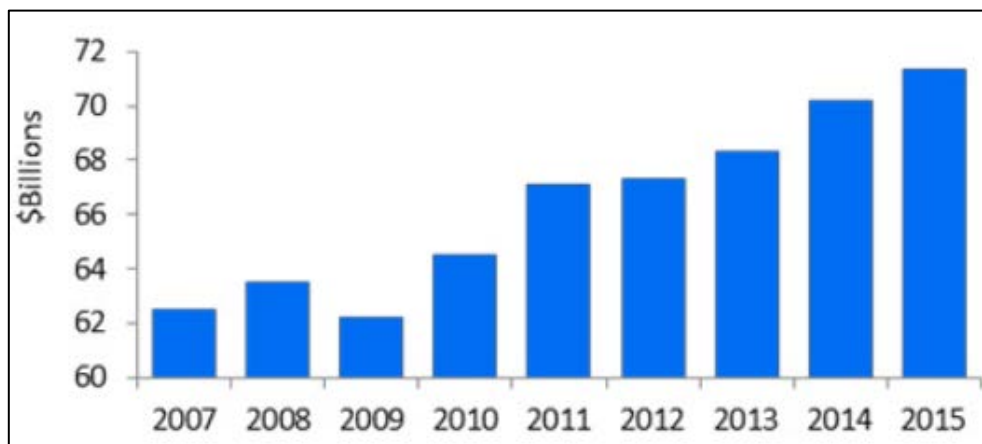
Source: Natural Resources Canada, https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/files/pdf/10_key_facts_nrcan_2017_en.pdf (Accessed: 2017-09-08).

The Manager believes that the resource sector has opportunities, however, operating and balance sheet risk should be minimized. The Manager intends to participate in the profitable but cyclical sector by prudently focusing on royalty and co-investment opportunities with leading production issuers that reduce or eliminate operating and balance sheet risk.

Technology Industry

Technology is a prospering and growing industry in Canada and plays an important role in Canadian economy. Based on 2015 data, it contributed \$71.3 billion to GDP, accounting for 4.4% of national GDP with 1.7% growth rate. See GRAPH 12 for historical growth figures. The employees of this industry typically have a high level of education, as evidenced by 50.7% of such employees having at least a university degree, while the national average was only 28.8%. The employee compensation for the technology industry was also more appealing, as the industry average annual earnings in 2015 was \$73,864, compared to average annual earnings of \$49,510 for all industries.

GRAPH 12 – GDP Contribution Growth of Information and Communication Technology Sector 2007 - 2015

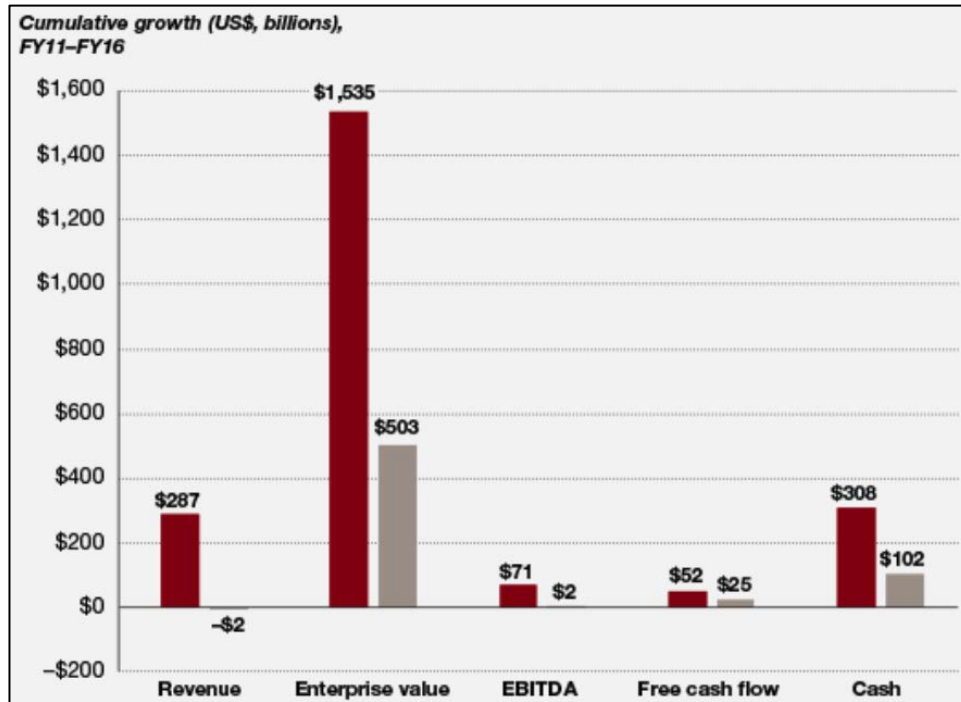


Source: Canadian ICT Sector Profile 2015, https://www.ic.gc.ca/eic/site/ict-tic.nsf/eng/h_it07229.html (Accessed: 2017-07-29)

The need for newer and better technologies act as a catalyst for the growth of the industry. To achieve organic growth, technology companies put strong emphasis on research and development, which gives rise to new technology products and clusters of innovation, such as cloud computing, block chain technologies, cybersecurity, cryptocurrencies, green technologies, fintech, artificial intelligence and machine learning. Those new technologies can sometimes be quickly adapted and applied to business strategies.

Besides organic growth, many technology companies acquire their competitors to gain market share or acquire companies in other businesses to grow into horizontally and vertically integrated conglomerates. The practice is most notable in the strategies adopted by Alphabet, Amazon, Apple, Facebook, and Microsoft (the “**Big Fives**”). Already dominant in their own businesses, they still actively seek opportunities to expand to other businesses, integrate various types of services and continue to create success and revenues by growing economies of scale and scope. In contrast, as shown in the *GRAPH 13*, the next 20 largest U.S.-based technology companies (the Next 20), added together, have suffered from a decrease in revenue, enterprise value, and many other metrics from fiscal year 2011 to 2016.

GRAPH 13 – The Big Five vs. the Next 20 (2011-2016)



Source: Strategy&, <https://www.strategyand.pwc.com/trend/2017-technology-trends>. (Accessed: 2017-07-29).

Lending to technology companies can be lucrative. However, the Manager acknowledges the challenges and risks presented by the rapid pace of innovation and change in the industry, elevated by obsolescence risk and growing international competition. The Manager intends to focus on specific private lending opportunities in Canada. In Canada, one area where companies can apply for and receive Scientific Research and Experimental Development Tax Credits from the Government of Canada is of particular interest. Borrowers are first generally vetted by SR&ED consultants adding another level of due diligence and gaining some level of assurance that they are eligible. The Manager will make loans to the technology company to bridge the gap in payment by the government. This type of lending lowers the risk on lending to the technology sector as the ultimate counter-party on SR&ED credits is the Government of Canada. Accordingly, this opportunity provides for significant income from loans made between application and payment of SR&ED credits by the federal government.

Services Industry

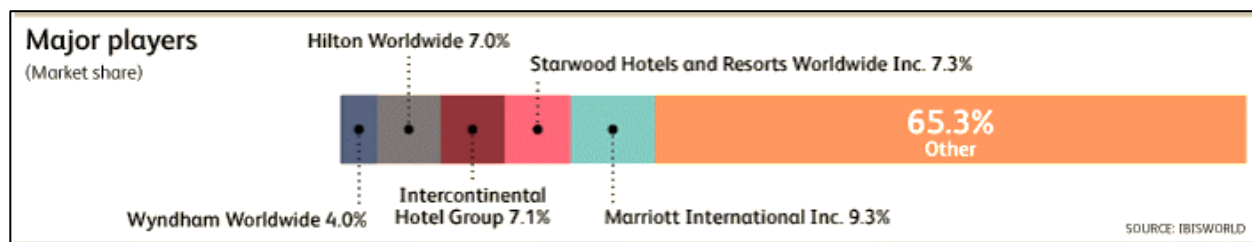
The Manager seeks investment opportunities in the services industry, which has been key for growth as the Canadian economy continues to recover from the Global Financial Crisis and the more recent downturn in oil and other commodity prices. The services industry includes companies engaged in providing a range of commercial and consumer services including but not limited to the retail sector, trade, tourism and the hotel industry, advertising, employment agencies, food services, consulting, recreation, profession services, accounting or legal and various trades; mechanics, plumbers, and electricians. By 2016, these service industries were responsible for all of the job growth in Canada, reportedly with the addition of 30,100 jobs. Within the services industry, the gains were skewed toward trade (retail and wholesale up 19,100), transportation (8,800), public administration (11,900), health care (8,300), and education (4,000). Six other services industry sectors reduced a small amount of jobs.¹⁴ The development of sub-industries within the services industry include Hotels and Motels, Advertising Agencies, Employment and Recruiting Agencies, Retail, Distribution, Wholesale, Trade, and Food Manufacturing which are briefly discussed below.

¹⁴ Global Economics Report, Scotiabank, March 10, 2017 Accessed: 2017-07-28)

The *hotels and motels industry* has grown slowly over the past five years, as stagnant growth in international tourism and volatile consumer confidence restrained industry revenue.¹⁵ Relatively slow economic growth over the past five years and shaky consumer confidence has restricted the willingness or ability of Canadians to take overnight domestic trips. There are a number of positives within the industry, however, especially within the luxury and upscale segments where operators continue to attract healthy spending from affluent travelers. Furthermore, a decrease in the Canadian dollar in comparison to its major trading partners has aided inbound tourism since the Canadian dollar peaked in 2011. In 2017, revenue is forecast to increase 1.7%, sustained by higher revenue per available room, as well as an exceptional increase in corporate profit.¹⁶

As set out in *Graph 14* below, the four largest operators in the industry (Marriot International Inc., Starwood Hotels & Resorts Worldwide Inc., InterContinental Hotels Group and Hilton Worldwide) account for an estimated 30.7% of industry revenue. The industry is less concentrated than its U.S. counterpart, where the top four operators generate about 40.0% of the industry's revenue. The smaller economies of scale, lower population and geographic limitations in Canada somewhat restricts the possibility of larger hotel chains to dominate any one market or one geographic segment. Additionally, the diversity of accommodation styles and standards means that operators tend to focus on one market segment, rather than provide a range of accommodation options. For example, Starwood Hotels & Resorts focuses exclusively on the luxury, upscale segment of the industry, whereas many independent hotels only occupy the lower end range of the market.

GRAPH 14 – Major Players in Hotels & Motels Industry in Canada



Source: Hotels & Motels in Canada, IBISWorld, February 2017

The *advertising agencies industry* creates and disseminates advertising campaigns through channels such as radio, print and digital or online channels. Over the past five years, the industry benefited from the propagation of digital media. This increasing trend prompted many businesses to invest in digital advertisements to reach their target audiences. However, as more individuals accessed media with an increasingly wide variety of devices, audiences have become much more fragmented, forcing industry operators to get creative in reaching broad audiences as well as paving a way for niche operators to emerge and compete.¹⁷ Moreover, as consumer spending improves, businesses invested in advertising that develop strong brand awareness can develop a sustainable competitive advantage to bolster sales volumes in the future.

Although total advertising spending growth was relatively flat over the past five years, mobile advertisement spending has increased significantly, as shown in *Graph 15*, and such mobile advertising spending is expected to grow approximately 30.0% in 2017, according to eMarketer data.¹⁸ This changing media landscape has provided a boon for the industry.

¹⁵ 2016 Edition – Trends in the Canadian Hotel Industry, CBRE

¹⁶ Hotels & Motels in Canada, IBISWorld, February 2017

¹⁷ Global advertising growth by medium in 2017, TheAltas, GroupM, 2017 (Accessed: 2017-07-28)

¹⁸ Worldwide Ad Spending: The eMarketer Forecast for 2017, eMarketer (Accessed: 2017-07-28)

GRAPH 15: Digital Ad Spending in Canada, by Device, 2010-2017

Digital Ad Spending in Canada, by Device, 2010-2017 billions of C\$, % change and % of total							
	2010	2011	2012	2013*	2014	2015	2016
Desktop	C\$2.23	C\$2.59	C\$2.93	C\$2.99	C\$2.89	C\$2.98	C\$2.94
—% change	23%	16%	13%	2%	-3%	3%	-1%
—% of total	97.9%	97.0%	94.8%	87.5%	76.2%	64.8%	53.6%
Mobile	C\$0.05	C\$0.08	C\$0.16	C\$0.43	C\$0.90	C\$1.62	C\$2.54
—% change	105%	74%	97%	167%	111%	79%	57%
—% of total	2.1%	3.0%	5.2%	12.5%	23.8%	35.2%	46.4%
Total	C\$2.28	C\$2.67	C\$3.09	C\$3.42	C\$3.79	C\$4.60	C\$5.48
—% change	24%	17%	15%	11%	11%	21%	19%
<i>Note: desktop includes classifieds/directories, display, email, in-stream video, search and video gaming on desktops/laptops; mobile includes display, messaging, mobile performance, search and video on mobile phones and tablets, including both apps and websites; excludes agency commissions; *restated to reflect a reduction of 107 million per retroactive advice by a major survey participant</i> <i>Source: Interactive Advertising Bureau of Canada (IAB Canada), "2016 Actual + 2017 Estimated Canadian Internet Advertising Revenue Survey" conducted by EY; eMarketer calculations, July 5, 2017</i>							
228710				www.eMarketer.com			

Source: Worldwide Ad Spending: The eMarketer Forecast for 2017, eMarketer (Accessed: 2017-07-28)

The *employment and recruiting agencies industry* provides individual and corporate clients with a variety of services, including permanent placement, temporary staffing and human resources functions. The financial success of the industry is closely connected to the broader economy and the unemployment rate in Canada. Economic conditions experienced drastic improvement from 2012 to 2017, resulting in several initial years of strong revenue growth. The industry's corporate clients have achieved relatively steady profit growth and have benefitted from gradual declines in the national unemployment rate. In 2016, however, industry revenue fell 1.3% in response to an increase in unemployment, declines in corporate profit and weakened consumer confidence following shocks to the energy sector.¹⁹ Despite these factors, industry revenue has improved to an annualized rate of 3.3% from 2012 to 2017. Industry revenue is projected to grow an additional 3.8% in 2017 and may reach \$783.5 M. The employment and recruiting agencies industry has a low level of market share concentration. In 2016, IBISWorld estimates that its major companies will account for 39.8% of total industry revenue. The industry is relatively fragmented aside from the major players, Randstad Holding, Adecco Group and ManpowerGroup, representing a significant portion of the industry's recruitment activity.²⁰ This fragmentation provides opportunities for the Manager to find opportunities for investment in Canada.

The *retail and wholesale trade industry* encompasses both the retail and wholesale sectors. The wholesale sector intermediates exchange among manufacturers and between manufacturers, distributors and retail stores.

According to the Canadian socioeconomic database from Statistics Canada ("**StatsCan**") retail sales have increased for the third consecutive month, rising 0.6% to \$48.9 billion in May 2017. Sales were up in five of 11 sub-sectors, representing 56% of total retail trade. Higher sales at motor vehicle and parts dealers were the main contributor to the gain. Excluding sales in this sub-sector, retail sales were down 0.1% in May. After removing the effects of price changes, retail sales in volume terms rose 1.1%.²¹

According to StatsCan, wholesale sales rose 0.9% to a record high \$61.6 billion in May 2017. Sales were up in six of the seven sub-sectors, representing 80% of total wholesale sales. The miscellaneous sub-sector and the motor vehicle

¹⁹ Canadian Staffing Industry Outlook: 2017 Update

²⁰ Employment and Recruiting Agencies in Canada, IBISWorld, May 2017

²¹ "Retail Trade," The Daily, Statistics Canada, July 21, 2017; See tables 080-0020 and 080-0024 (Accessed: 2017-07-28).

and parts sub-sector contributed the most to the advance. In volume terms, wholesale sales increased 0.8% from April to May 2017.²²

The *food manufacturing industry* in Canada has experienced steady revenue growth from 2012 to 2017. Despite the closure of several significant food processing plants during the five-year period, such as the closure of a Kraft Heinz plant in 2013,²³ industry revenue still expanded. Remaining domestic manufacturers increased their output to meet growing domestic and global demand for Canadian food products by increasing efficiency and other innovations. Over the past five years, growth in the national level of per capita disposable income led to increased domestic demand for higher-quality, and more diverse food. To meet this increased and expanded demand, food service providers and retailers increased their purchases of industry products.²⁴ The growth in food costs also enabled industry operators to increase product prices, and drive revenues. Finally, exports have grown as demand for high-quality Canadian food products increased.

The *prepared food manufacturing industry* in Canada has a low level of market share concentration, with the industry's four largest companies expected to generate only 28.0% of industry revenue in 2017.²⁵ The industry is highly fragmented, partly due to the variety of products that industry operators manufacture and limited geographic reach. For example, many egg processors operate on a local or regional scale, making it difficult for these companies to obtain substantial market share or economies of scale. Over the five years to 2017, IBISWorld expects the industry's market share concentration to increase slightly as Kraft Heinz, McCormick and other larger industry operators acquire smaller companies and increase their relative market shares.²⁶ However, despite this slight growth, market share concentration is expected to remain relatively low and consolidation limited.

The Manager believes that adding the Service Industry to the Target Industries will significantly broaden the diversification of the portfolio's investment opportunities, as it has been the sector that has been the primary contributor to Canada's job growth.

THE PUBLIC PORTFOLIO

Either 10% (in the case of Class I Units) or 90% (in the case of Class II Units) of an investor's initial investment in Class I Units or Class II Units will be used by the Trust to purchase Public LP Units. The Public LP, in turn, will use the proceeds of sale of Public LP Units to purchase Public Fund Units. Notwithstanding, an investor's exposure to Public LP Units may not reflect these Initial Allocations at any time. See "*Units Offered*".

Investment Objectives of the Public Portfolio

The investment objective of the Public LP is to achieve capital gains by investing in securities of one or more Public Funds managed by experienced and reputable investment managers with a proven track record, which Public Fund or Public Funds, in turn, invest in securities of reporting issuers purchased in the public markets where liquidity is generally more readily available than is the case for securities of private issuers (the "**Public LP's Investment Objectives**").

Selection Criteria for Public Funds

The Manager has the authority to invest in public investment funds that it determines are capable of achieving the Public LP's Investment Objectives. The Manager may divest or invest in more than one Public Fund when an existing Public Fund forming part of the Public Portfolio is no longer available for investment or no longer suitable or advisable for achieving the Public LP's Investment Objectives for any reason.

In selecting a Public Fund, the Manager will seek an investment fund for which the investment manager has one or more of the following characteristics:

- (a) absolute return investment strategy;

²² "Wholesale Trade," Daily, Statistics Canada, July 24, 2017; See tables 081-0011 and 081-0015 (Accessed: 2017-07-28).

²³ "Heinz to close Ontario factory, trim 740 jobs," The Globe and Mail, November 14, 2013 (Accessed: 2017-07-28)

²⁴ Processed Food and Beverages Sector, Agriculture and Agri-Food Canada, July 26, 2017

²⁵ Processed Food and Beverages Sector, Agriculture and Agri-Food Canada, July 26, 2017

²⁶ Baking Mix & Prepared Food Manufacturing in Canada, IBISWorld, June 2017

- (b) “long/short”⁽¹⁾, or “market neutral”⁽²⁾, or “relative value”⁽³⁾, or other arbitrage equity-based investment mandate;
 - (c) capital gains-oriented;
 - (d) focus primarily on North American equities; and/or
 - (e) verifiable track record of achieving absolute returns,
- (collectively, the “**Public Fund Selection Criteria**”).

Notes:

- (1) A “**long/short equity fund**” is a fund that operates under an investment strategy involving buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value.
- (2) A “**market neutral fund**” is a fund that generally seeks to eliminate specific risks through matching long positions with short positions in the same or related sectors and markets. For example, this could involve taking a long position in an energy stock while shorting another to leave a “net zero” exposure to the energy sector while still having exposure to the underlying companies themselves.
- (3) A “**relative value**” strategy typically involves holding a long position in undervalued securities and short position in overvalued securities. Accordingly, a strategy may be neutral with respect to the overall market, as the only exposure to the portfolio is the relative position of the long and short positions. For example, a relative value manager may not want to take market risk from the market (*e.g.*, S&P 500 or SPX) but may identify that General Motors (GM) securities are overvalued, and Toyota Motors (TM) securities are undervalued. A relative value strategy would be to buy TM and short GM. This combined position is not impacted by the overall market return, or the SPX in this case.

Accordingly, the Manager may allocate the investment of the Public Portfolio to purchasing units of one or more Public Funds. Any investment fund or fund selected for investment by the Public LP is a Public Fund for the purposes of this Offering Memorandum. For greater certainty, the Public LP may invest in more than one Public Fund from time to time, and at any given time.

Fiera Long/Short Equity Fund

The Public LP’s initial Public Fund was the Fiera Long Short Equity Fund (the “**Fiera L/S Fund**”). Pursuant to the Fiera Funding Agreement, the Public LP had a reserve allocation to acquire up to \$20,000,000 of securities of the Fiera L/S Fund that expired at the end of June 2017. Accordingly, the Manager sought to invest in another Public Fund as its Public Portfolio required additional investment opportunities.

Manager’s Selection of the Waratah Fund

The Manager investigated various alternative investment managers and selected Waratah Capital Advisors Ltd. (“**Waratah**”) who manages the Waratah One X Trust (the “**Waratah Fund**”). The Waratah Fund is a privately offered market neutral fund that, through its investment in the Underlying Waratah LP, provides exposure to a long short portfolio of North American equity securities that primarily seeks absolute returns. The Manager selected the Waratah Fund in accordance with the Public Fund Selection Criteria referenced above.

The Waratah Fund invests in securities of the Waratah One X Limited Partnership (the “**Underlying Waratah LP**”), which is also managed by Waratah.

Notice of Change of a Public Fund

The Public LP Agreement requires, among other things, that the Manager provide Unitholders not less than 120 days’ notice of a proposed change of the Public Fund, including the addition of one or more Public Funds and the cessation of investing in an existing Public Fund or Public Funds.

On April 5, 2017, the Manager provided Unitholders notice of the change of Public Fund (the “**Notice**”) announcing that the Public LP will cease acquiring securities of the Fiera L/S Fund after June 30, 2017 and thereafter commence acquiring class F units of the Waratah Fund (the “**Waratah Fund Units**”). The Notice also stated that the Public LP would continue holding the securities acquired in the Fiera L/S Fund unless the Manager determined otherwise.

Waratah Funding Agreement

On May 15, 2017, the Public LP entered into a funding agreement (the “**Waratah Funding Agreement**”) with Waratah that permits the Public LP to acquire Waratah Fund Units. The Waratah Funding Agreement provides, among other things, the Public LP with the right to acquire an allocation of up to \$20,000,000 of Waratah Fund Units within 24 months of the initial subscription of Waratah Fund Units by the Public LP (the “**Waratah Allocation**”). Thereafter, the Manager can continue to acquire the Waratah Fund Units but may do so without a reserved allocation, if available, subject to the termination provisions of the Waratah Funding Agreement.

Termination of Fiera Funding Agreement

The Manager continued to review the returns of the Fiera L/S Fund during 2017, which were generally negative. The Manager considered, among other things, the volatility of the portfolio, adherence to their process, the potential and timing of a recovery and determined, all things considered, that it was best to exit its investment completely and invest the proceeds in Waratah Fund Units. Accordingly, on November 1, 2017, the balance of \$4,612,973 was invested in Waratah Fund Units.

Waratah Capital Advisors Ltd.

Waratah is a Toronto, Canada based risk adjusted return investment manager founded by Brad Dunkley and Blair Levinsky in 2010. With a team of 29 professionals, Waratah combines intensive research driven stock selection with a disciplined and robust risk management program. Waratah manages assets across various equity long short strategies including hedged income, market neutral and a concentrated best ideas portfolio. As at December 1, 2017, founders and employees collectively represent 7% of the firm's approximately \$1.2B in assets under management, with high-net-worth individuals, family offices, foundations, endowments, and public and private pension funds representing the balance of firm assets (Source: <http://www.waratahadvisors.com/default.asp>).

See also “*Waratah One X Trust – Trustee Manager and Portfolio Advisor*”.

Investment Performance of the Waratah Fund

The investment performance of the Waratah Fund will be provided or made available in OM marketing materials outside of this Offering Memorandum.

Set out below is a summary description of the Waratah Fund and the Underlying Waratah LP in which the Public LP has indirectly invested. The information is based on disclosure provided to the Public LP in the offering memoranda of the Waratah Fund and the Underlying Waratah LP current as of the date of this Offering Memorandum. Investors in the Public LP will have exposure to, but will have no direct ownership interest in either the Waratah Fund or the Underlying Waratah LP.

WARATAH ONE X TRUST

The Waratah One X Trust

The Public LP will invest in Waratah Fund Units of the Waratah Fund in accordance with the Funding Agreement.

The Waratah Fund is an open-end investment trust established under the laws of the Province of Ontario by a declaration of trust dated as of February 1, 2017 as the same may be amended and restated from time to time (the “**Waratah Fund Declaration of Trust**”). The offices of the Waratah Fund are located at 1133 Yonge Street, 5th Floor, Toronto, Ontario, M4T 2Y7.

Trustee, Manager and Portfolio Advisor

Waratah acts as the trustee, investment fund manager and portfolio adviser of the Waratah Fund. Waratah has its principal office at 1133 Yonge Street, 5th Floor, Toronto, Ontario, M4T 2Y7. Waratah may create and manage, or act as portfolio manager for other investment products in addition to the Waratah Fund.

Authorized Capital of the Waratah Fund

The capital of the Waratah Fund is divided into an unlimited number of units issuable in an unlimited number of classes and series, each of which represents an undivided ownership interest in the net assets of the Waratah Fund.

Each Waratah Fund Unit entitles the holder to the same rights and obligations as a holder of any other Waratah Fund Unit and no Waratah Fund Unitholder of a particular class is entitled to any privilege, priority or preference in relation to any other Waratah Fund Unitholder of the same class.

Waratah, as trustee, may consolidate or subdivide units of any class or series from time to time in such manner as it deems appropriate or in a manner that is different to the treatment of units of another class or series only if the net asset value per unit of such class or series is amended such that the aggregate net asset value of all units of such class or series prior to such consolidation or subdivision is equal to the aggregate net asset value of all units of such class or series following such consolidation or subdivision.

Investment Objective of the Waratah Fund

The investment objective of the Waratah Fund is to gain exposure to the returns of the Underlying Waratah LP.

Investment Strategy of the Waratah Fund

To achieve its investment objective, the Waratah Fund will invest all or substantially all of its assets directly in limited partnership units in the Underlying Waratah LP (the “**Underlying Waratah LP Units**”).

The returns of the Waratah Fund Units will differ from those of the Underlying Waratah LP Units due to certain factors that include, but are not limited to, operating expenses of the Waratah Fund, distributions on Waratah Fund Units, taxes and administrative fees and costs. The return to the holders of Waratah Fund Units (including the Public LP) is calculated in reference to the return of the class F Underlying Waratah LP Units issued by the Underlying Waratah LP.

Waratah also acts as the investment fund manager and portfolio adviser of the Underlying Waratah LP. An affiliate of Waratah acts as the general partner of the Underlying Waratah LP.

Fees and Expenses of the Waratah Fund

No management or performance fees are charged directly by the Waratah Fund in respect of the Waratah Fund Units. However, by virtue of its investment in the Underlying Waratah LP Units. Holders of Waratah Fund Units (such as the Public LP) are indirectly subject to the investment management fees and general partner allocation at the Underlying Waratah LP level. See Waratah One X Limited Partnership – “*Underlying Waratah GP Allocation*” and “*Fees and Expenses of Underlying Waratah LP*”.

No sales fees or redemption fees shall be payable by the Waratah Fund in relation to its purchases or redemptions of Underlying Waratah LP Units.

The Waratah Fund is responsible for the costs of offering the Waratah Fund Units including, without limitation, the fees and expenses of legal counsel and the Waratah Fund’s auditors.

The Waratah Fund is responsible for its ongoing expenses including, without limitation, the payment of the custodian, audit, and legal fees, communications with unitholders of the Waratah Fund and taxes of all kinds to which the Waratah Fund is or might be subject.

Redemption of Waratah Fund Units

Redemptions of Waratah Fund Units are permitted on a monthly basis, as of the last business day of the month (each, a “**Waratah Fund Redemption Date**”) pursuant to a written notice or notice by email (with written confirmation to follow) that must be received by Waratah at least 45 days prior to the applicable Waratah Fund Redemption Date (or such shorter period as the Waratah may approve).

If the Public LP owns Waratah Fund Units of more than one series, Waratah Fund Units will be redeemed on a “first in, first out” basis. Accordingly, Waratah Fund Units of the earliest series owned by the Public LP will be redeemed first, at the redemption price for Waratah Fund Units of such series until the Public LP no longer owns Waratah Fund Units of such series.

On a redemption, the Public LP is entitled to receive the class or series net asset value per unit for the Waratah Fund Units redeemed calculated as of the close of business on the applicable Waratah Fund Valuation Fund Date, multiplied by the number of Waratah Fund Units the Public LP has asked to be redeemed. The amount payable to the Public LP

for each Waratah Fund Unit redeemed will be an amount equal to the class or series net asset value per Waratah Fund Unit redeemed on the Waratah Fund Redemption Date, together with the proportionate share attributable to such Waratah Fund Units of any distribution which has been declared and not paid, less any withholding or other taxes required to be deducted. See also “*Redemption of Underlying Waratah LP Units*” below.

Waratah Fund Distributions

The Waratah Fund intends to distribute sufficient net income and net realized capital gains, if any, to unitholders of the Waratah Fund (including the Public LP) in each taxation year to ensure that the Waratah Fund is not liable for income tax under Part I of the Tax Act after taking into account any loss carry forwards and capital gains refunds.

Risk Factors Relating to an Investment in the Waratah Fund

There are certain risks associated with an investment in the Waratah Fund Units which include: (a) investment risk and no guaranteed return; (b) illiquidity; (c) limited ability to liquidate investment; (d) tax liability; (e) possible effect of large scale redemptions; (f) charges to the Waratah Fund; (g) potential indemnification obligations; (h) potential liability of Waratah Fund unitholders; and (i) foreign tax reporting.

By virtue of its investment of all or substantially all of its assets in the Underlying Waratah LP, the Waratah Fund is also subject to the risks associated with an investment in the Underlying Waratah LP. Please see “*Waratah One X Limited Partnership – “Risk Factors Relating to an Investment in Underlying Waratah LP Units”*” below.

WARATAH ONE X LIMITED PARTNERSHIP

The Waratah One X Limited Partnership (the “**Underlying Waratah LP**”) is a privately offered investment fund which was formed under the laws of the Province of Ontario and became a limited partnership by filing a Declaration of Limited Partnership under the *Limited Partnerships Act* (Ontario) (the “**Limited Partnerships Act**”) on February 1, 2017. The Underlying Waratah LP is governed by a limited partnership agreement dated as of February 1, 2017, as the same may be amended and restated from time to time (the “**Underlying Waratah LPA**”).

Waratah Advisors GP 1 Limited (the “**Underlying Waratah GP**”), an affiliate of Waratah, acts as the general partner of the Underlying Waratah LP. The principal place of business of the Underlying Waratah LP and the Underlying Waratah GP is 1133 Yonge Street, 5th Floor, Toronto, Ontario, M4T 2Y7. The Underlying Waratah GP also acts as general partner of the Waratah Performance Limited Partnership, Waratah Special Opportunities Limited Partnership and the Waratah Income Limited Partnership.

Waratah acts as the investment manager (investment fund manager and portfolio adviser) of the Underlying Waratah LP.

Underlying Waratah GP Allocation

The Underlying Waratah GP will share in profits of the Underlying Waratah LP by receiving distributions (the “**Underlying Waratah GP Allocation**”), payable on the last valuation date in each year, and on the date of redemption of any Underlying Waratah LP Units, based on the increase, if any, in the net asset value of such Underlying Waratah LP Units, equal to 20% of the positive amount, if any, obtained when the High Water Mark for each such Underlying Waratah LP Unit is subtracted from the Net Asset Value of such Underlying Waratah LP Units on such valuation date or redemption date (as applicable).

High Water Mark

Utilizing the “series accounting methodology” described in the section above, the “High Water Mark” for each series of Underlying Waratah LP Units which are subject to a Underlying Waratah GP Allocation for a fiscal year will be: (i) in respect of an initial subscription for Underlying Waratah LP Units during the then-current fiscal year, the initial subscription price applicable to the series of such units; or (ii) the net asset value of such series of the Underlying Waratah LP Units at the end of the immediately preceding fiscal year in which an Underlying Waratah GP Allocation was made with respect to such series and, in each case, will be adjusted on a pro rata basis for redemptions of such series. In other words, any unrecovered net depreciation (other than as a result of redemptions) in the net asset value of a series of Underlying Waratah LP Units in any prior fiscal year reduces the net appreciation in the net asset value of such series of Underlying Waratah LP Units in subsequent years for purposes of calculating the Underlying Waratah GP Allocation with respect to such series (that is, there is a “perpetual high water mark” with no reset).

Authorized Capital of Underlying Waratah LP

The Underlying Waratah LP may issue an unlimited number of limited partnership units issuable in an unlimited number of classes and series.

The Waratah Fund will acquire a corresponding amount of class F limited partnership units of the Underlying Waratah LP (the “**Underlying Waratah LP Units**”) to reflect the indirect interest of the Public LP in the Underlying Waratah LP.

Each Underlying Waratah LP Unit of a class represents an undivided ownership interest in the assets of the Underlying Waratah LP attributable to that class and entitles the holder to the same rights and obligations as a holder of the same class. No holder of a particular class of Underlying Waratah LP Units is entitled to any privilege, priority or preference in relation to any other unitholder of the same class.

The Underlying Waratah GP may, in its discretion, create different classes of units. Each class may be subject to different investment management fees, different Underlying Waratah GP Allocations and may have such other features as the Underlying Waratah GP may determine. The Underlying Waratah GP may redesignate a limited partner’s units from one class to another (and amend the number of such units so that the net asset value of the limited partner’s aggregate holdings remains unchanged) and will do so in accordance with the Underlying Waratah LPA. The Underlying Waratah GP also has the discretion to subdivide or consolidate units of one or more series from time to time, in a manner different than other series.

Investment Objective and Strategy of the Underlying Waratah LP

The Underlying Waratah LP invests primarily in U.S. and Canadian equity markets. Waratah, in its capacity as investment manager of the Underlying Waratah LP, will attempt to maximize the Underlying Waratah LP’s returns while protecting capital through strategies designed to produce risk-adjusted returns.

The Underlying Waratah LP seeks to maintain a highly diversified low net dollar exposure portfolio of long and short positions in U.S. and Canadian public equities. A disciplined multi-factor approach to risk control is used to measure and manage portfolio exposures. To maximize opportunities and to reduce risks in response to market conditions, Waratah, actively adjusts the gross and net positions of the Underlying Waratah LP. The Underlying Waratah LP targets low volatility of daily returns and seeks to minimize capital drawdowns by factor balancing, hedging and employing stop-loss limits. Where Waratah is of the view that it would be beneficial, non-equity securities and international equity securities may form part of the Underlying Waratah LP’s investment portfolio.

In seeking to achieve the Underlying Waratah LP investment objective, Waratah will employ a bottom-up fundamentally driven approach to security selection and portfolio management.

Total gross market value of long and short positions will be less than or equal to 3.0x the equity of the Underlying Waratah LP. The net market value of long positions less market value of short positions will be within negative 30% and positive 30% of the equity of the Underlying Waratah LP.

Waratah may at any time adopt new strategies or deviate from the foregoing guidelines as market conditions dictate.

There can be no assurances that the Underlying Waratah LP will achieve its investment objective.

Risk Management and Control utilized by the Underlying Waratah LP

Risk control is a key aspect of the investment philosophy at Waratah. Waratah actively seeks to reduce risk and manage volatility on behalf of the Underlying Waratah LP on an absolute basis and in response to market conditions in part by some or all of the following: (a) conservative portfolio construction; (b) adjusting the gross and net position of the Underlying Waratah LP; (c) detailed analysis and balancing of portfolio exposures/factors; (d) position and portfolio level “value at risk” trend analysis; (e) employing stop-loss limits; (f) liquidity bias with portfolio and firm-wide liquidity tests; (g) prohibiting investments in equity private placements and unlisted equity securities; (h) hedging foreign currency exposure; and (i) weekly risk meetings.

Waratah may alter or introduce additional risk management tests and controls from time to time if it feels that such measures are in the best interests of the Underlying Waratah LP.

Operational & Compliance Risk Management of the Underlying Waratah LP

Waratah mitigates operational risk exposure on behalf of the Underlying Waratah LP through the application of the following controls: (a) codified comprehensive policies and procedures; (b) multiple layers of redundancy in trade settlement, systems access and reconciliations; (c) compliance redundancy through external third-party assessment; (d) independent multiple prime brokers/custodians; (e) third party administrator; (f) systems based trade compliance; (g) electronic order routing and record keeping; (h) enforcement of restrictive personal trading policy; and (i) maintaining and testing of a back-up continuity plan

Waratah typically holds cash but may also invest available cash on behalf of the Underlying Waratah LP in cash equivalents including treasury bills, banker acceptances and other similar temporary instruments.

Investment Guidelines/Restrictions of the Underlying Waratah LP

The Underlying Waratah LP operates under the following investment guidelines/restrictions: (a) the Underlying Waratah LP's investment portfolio will have a default maximum weighting of 5.1% in any single position, subject to the Underlying Waratah LP Investment Manager's discretion to increase the maximum weighting in any single security or group of securities where it is determined to be consistent with overall portfolio risk-adjusted return objectives; (b) the Underlying Waratah LP will maintain a net dollar position within a range of negative 30% to positive 30% (unadjusted); and (c) the Underlying Waratah LP will have maximum gross leverage of 3.0:1.

Fees and Expenses of Underlying Waratah LP

Waratah, in its capacity as investment manager of the Underlying Waratah LP, is entitled to receive an investment management fee equal to 1/12 of 2% of the net asset value of the Underlying Waratah LP Units subject to applicable taxes, calculated and paid on a monthly basis.

The Underlying Waratah LP is responsible for all costs and operating expenses actually incurred in connection with the business of the Underlying Waratah LP, including but not limited to: (i) administrative fees; (ii) audit fees; (iii) legal fees; (iv) custodial fees, registrar and transfer agency fees and expenses; (v) insurance premiums related to the Underlying Waratah LP; (vi) unitholder communication expenses; (vii) organizational expenses (amortized over five years); (viii) transaction processing system charges; (ix) regulatory fees and expenses of the Underlying Waratah LP; (x) all reasonable extraordinary or non-recurring expenses; (xi) fees and expenses relating to the Underlying Waratah LP's portfolio investments, including the cost of securities, interest on borrowings net of credits on cash, stock borrow charges, related expenses payable to lenders and counterparties, brokerage fees, commissions and expenses, and banking fees.

Redemption of Underlying Waratah LP Units

The Waratah Fund is entitled to redeem the Underlying Waratah LP Units as of the last business day of each month (each an "**Underlying LP Redemption Date**") by submitting a redemption request at least 45 days prior to the proposed Underlying LP Redemption Date (or such shorter period as Waratah may approve).

Upon redemption of an Underlying Waratah LP Unit, the Waratah Fund will receive proceeds of redemption equal to the net asset value per unit of the Underlying Waratah LP Units, determined as of the close of business on the relevant Underlying LP Redemption Date, less an amount equal to any accrued Underlying Waratah GP Allocation (to the extent not already reflected in the net asset value per unit) and less applicable deductions.

If the Waratah Fund owns Underlying Waratah LP Units of more than one series, units will be redeemed on a "first in, first out" basis, meaning that units of the earliest series of the Underlying Waratah LP Units owned by the Waratah Fund will be redeemed first, at the redemption price for units of such series, until the Waratah Fund no longer owns Underlying Waratah LP Units of such series (although this policy may be amended depending on tax considerations).

Redemptions of Underlying Waratah LP Units may be deferred in special circumstances. Waratah may defer redemptions by one month upon receipt of redemption requests for 25% or more of the outstanding units of any particular class on an Underlying LP Redemption Date. Additionally redemptions may be deferred in the case where normal trading is suspended on stock exchanges on which securities are listed represent more than 50% of the value of the Underlying Waratah LP.

Risk Factors Relating to an Investment in Underlying Waratah LP Units

An investment in Underlying Waratah LP Units involves certain risk factors, including risks associated with the Underlying Waratah LP's investment strategies.

The risks associated with an investment in the Underlying Waratah LP include, but are not limited to: (a) investment risk and no guaranteed return; (b) limited operating history; (c) reliance on Waratah as investment manager and track record; (d) tax liability; (e) possible loss of limited liability; (f) risk of insolvency of the Underlying Waratah GP; (g) funding deficiencies; (h) the Underlying Waratah LP is not a public mutual fund; (i) change in investment strategy; (j) valuation of the Underlying Waratah LP's investments; (k) possible effect of large scale redemptions; (l) charges to the Underlying Waratah LP; and (o) possible negative impact of regulation of hedge funds.

The following are risks associated with the Underlying Waratah LP's investment strategy include: (a) general economic and market conditions; (b) liquidity of underlying investments; (c) shorting; (d) currency and exchange rate risk; (e) counterparty risk; (f) trading errors; (g) leverage; and (h) trading costs.

TRUST MATTERS

DISTRIBUTIONS

General

In the investment structure established for the Trust, income distributions are primarily generated by the Private Portfolio and capital gains are primarily generated by the Public Portfolio. It is not expected that the Public Portfolio will generate or make material distributions, if any. The Trust participates in the Private Portfolio through its investments in Private LP Units. The discussion of distributions in this section, therefore, focuses on distributions made by the Private LP since distributions made by the Trust to its Unitholders are determined based upon, and almost exclusively dependent upon, distributions generated by the Private Portfolio. See *"The Investment Structure – Diagram of the Structure"*.

It is important to distinguish between distributions at the Trust level and distributions at the Private LP level as there are key differences. In order to make a clearer distinction, we refer, from time to time, in this section to "Trust Units" rather than "Units" in order to distinguish between Trust Units and Private LP Units.

Distributions at the Private LP Level

The Private Portfolio and the Private LP

At each Closing of the Offering, some portion of the Net Proceeds will be used by the Trust to purchase Private LP Units. The Private LP will use the resulting proceeds to make investments that form part of the Private Portfolio. Income and other anticipated returns will be generated in the Private Portfolio in various forms, including interest, dividends royalties, capital gains and factoring arrangements (which, after the payment of applicable fees and expenses, is Distributable Cash of the Private LP).

The resulting Distributable Cash will be used by the Private LP to make pro rata monthly distributions on all outstanding Private LP Units. All of these distributions will be received by the Trust as the sole holder of the Private LP Units.

Distributions on Private LP Units

Distributions on Private LP Units can be expressed as a percentage of the NAV per Private LP Unit. There are no series or classes of Private LP Units, so distributions on all Private LP Units are identical. Accordingly, each Private LP Unit has the same NAV per Private LP Unit.

Subscribers will be accustomed to seeing distributions expressed as a percentage of NAV of the offered security. As discussed below, the indirect nature of a subscriber's investment in Private LP Units and Public LP Units through this investment structure impacts the customary presentation, with the result that it is not meaningful to

express distributions either as a percentage of NAV of the Private LP Units or as a percentage of NAV of the Trust Units.

In this investment structure, the most relevant reference from a distribution perspective is the aggregate NAV of all Private LP Units held in a Series Asset Pool.

Investors seeking distributions of income should select a Class and series of Trust Units that will maximize exposure to the Private LP Units, as explained below, and as discussed earlier under the heading “*Business of the Trust – Initial Investment Allocation*” and in Table 4 under that heading. Investors should also consider the factors that impact distributions on the various Classes and series of Trust Units, as described in this “*Distributions*” section.

Distributions at the Trust Level

Distribution Variables

Distributions at the Private LP level are based on a simple proposition – monthly distributions of Distributable Cash at the same rate are made pro rata on all issued and outstanding Private LP Units. Accordingly, each distribution will be at same rate for every Private LP Unit and subject to the NAV of the relevant series.

Distributions are more complex at the Trust level. There are four main variables at play here:

- different exposure to Private LP Units;
- different Target Distributions Rates between Trust Unit series;
- different Hurdle Rates between Trust Unit series; and
- different fees between Trust Unit Classes and series.

Due to these variables, it is not meaningful to express distributions on a Class and series of Trust Units simply as a percentage of NAV of such Class and series of Trust Units. When Unitholders receive a distribution on the Trust Units they hold, it will be difficult for them to correlate that distribution back to the underlying distribution performance of the Private LP Units or to compare it to the distribution performance in respect of other Classes and series of Trust Units. Although the underlying distribution performance of the Private LP Units is uniform, the variables referenced above and discussed further below can result in a wide spectrum of actual distribution rates across the Classes and series of Trust Units.

The following overview is intended to assist in understanding the distribution variables as they apply to the various Classes and series of Trust Units.

Series Asset Pools

Series Asset Pools are not a distribution variable. However, they are an integral part of the Trust Unit structure established by the Trust and play an important role in understanding how the distributions work for Trust Units. All Private LP Units purchased by the Trust are held in Series Asset Pools corresponding to the Class and series of Trust Units in respect of which the Net Proceeds were used to acquire the Private LP Units. Accordingly, the distributions received by a Unitholder will vary depending on the number of Private LP Units in the Series Asset Pool to which the Trust Units held by the Unitholder relate.

The Trust currently has ten (10) Series Asset Pools; namely, a separate Series Asset Pool in respect of each Class and series of Trust Units issued by the Trust:

1. Class I Units, series A;
2. Class I Units, series B;*
3. Class I Units, series F;

4. Class II Units, series A;
5. *Class II Units, series B*;^{*}
6. Class II Units, series F;
7. Class III Units, series A;
8. Class III Units, series B;
9. Class III Units, series F; and
10. Class III Units, series S.

Note:

^{*} For commercial reasons, the Class I and II Units, series B are no longer being sold under this Offering Memorandum as of December 1, 2017.

The Trust previously offered for purchase and sale Class I and II Units of series B, which are not currently offered for distribution under this Offering Memorandum. Exposure to distributions is the same for all Unitholders whose Units relate to the same Series Asset Pool.

Series Asset Pools are maintained in order to track the different holdings of Private LP Units and Public LP Units, as well as the differential Hurdle Rates and fee structures, for each Class and series of Trust Units issued by the Trust.

Differential Exposure to Private LP Units

Initial Allocations

Distributions at the Trust level differ from Class to Class of Trust Units primarily because the proportionate exposure to Private LP Units changes on that basis. As explained under the heading “*Business of the Trust – Initial Investment Allocation*”, the Net Proceeds received by the Trust in respect of subscriptions for each Class of Trust Units will be allocated by the Manager to purchase Private LP Units and Public LP Units in the proportions defined as the “Initial Allocations”, as set out in Table 4 above under the heading “*Business of the Trust – Initial Investment Allocation*”. Specifically, the Initial Allocations to the purchase of Private LP Units are:

- for Class I Units, 90% ⁽¹⁾ of the Net Proceeds allocated to purchase Private LP Units;
- for Class II Units, 10% ⁽¹⁾ of the Net Proceeds allocated to purchase Private LP Units; and
- for Class III Units, 100% of the Net Proceeds allocated to purchase Private LP Units.

Note:

- (1) The Initial Allocations for Class I Units and Class II Units are subject to adjustment from time to time in the discretion of the Manager. Any such adjustment will also factor into the distribution performance of a Class and series of Trust Units in respect of which an adjustment has been made.

Immediately following each Closing of the Offering, the Manager will apply the Net Proceeds to the purchase of LP Units in accordance with the foregoing and Table 4. The impact of the Initial Allocations on distributions is clear – a higher the percentage of Net Proceeds allocated to the purchase of Private LP Units means a greater number of Private LP Units purchased for that Series Asset Pool, and vice versa. The more Private LP Units there are in a Series Asset Pool, the higher the total distributions into that Series Asset Pool will be, and vice versa.

See Table 8 below for an illustration of how the Initial Allocation impacts the distributions on Trust Units of all Classes and series.

Time factor

The passage of time compounds the disproportion between the holdings of Private LP Unit and Public LP Units in a Series Asset Pool, in small part due to changes in the number of LP Units, but primarily due to changes in the relative NAV of those LP Units.

As mentioned, it is expected that the Public Portfolio will generate capital appreciation rather than distributions. As the Public LP's investment in the Public Fund appreciates in value, so will the NAV of the Public LP Units held by the Trust in the various Series Asset Pools and vice versa. By comparison, it is expected that the NAV of the Private LP Units will remain relatively stable. Over time, the increase in NAV of the Public LP Units in a Series Asset Pool will cause the NAV of the corresponding Trust Units to increase. This will result in: (i) the Public LP Units held in each Series Asset Pool representing an increasing proportion of the NAV of the corresponding Trust Units; and (ii) the Private LP Units in each Series Asset Pool representing a decreasing proportion of the NAV of the corresponding Trust Units. This is illustrated in Schedule "A" to this Offering Memorandum.

The distributions on the Private LP Units in a Series Asset Pool will be expressed as a decreasing percentage of the NAV of the Trust Units. While this may give the appearance of a decline in the distribution performance, it will represent nothing more than the shift in the overall proportionality of assets in the Series Asset Pool.

There are some offsetting factors over time. Each Closing of the Offering will result in new Net Proceeds being invested in Private LP Units and Public LP Units in accordance with the Initial Allocations, which will tend to offset the relative change in NAV of the Public LP Units in the Series Asset Pool. From time to time, the Manager may adjust the Initial Allocations for the purpose of offsetting or reducing the disproportionate growth of the Public LP Units in the Series Asset Pools, however, there is no requirement to do so. Further, the redemption of Public LP Units to contribute to the payment of fees attributable to the Series Asset Pool will result in small reductions in the Public LP Unit balance in the Series Asset Pool. Private LP Units will not be redeemed for this purpose.

Differential Hurdle Rates and Fees

Hurdle Rates

Hurdle Rates have been assigned to each series of Trust Units and are expressed as a percentage of the aggregate NAV of the Private LP Units in each Series Asset Pool. The Hurdle Rates are 5.5% per annum for Class III Units, Series S, 7.0% per annum for Series A of Class I, II and III Units, 8.0% per annum for Series B Trust Units of Class III (which are currently not being distributed under this Offering Memorandum for Class I or II) and 9.0% per annum for Series F Trust Units of all Classes.

The Hurdle Rates identify the point at which the distributions into a particular Series Asset Pool become subject to the Performance Fee of the Manager. In order to achieve a proper annual calculation of the Performance Fee, all monthly distributions into the Series Asset Pool in excess of the Hurdle Rate each month will be accrued in the Performance Pool in that Series Asset Pool until the end of the calendar year, at which time the calculation is made and the Performance Distribution is paid to the Unitholders and the Performance Fee is paid to the Manager. See "*Compensation and Fees Paid to the Manager – Performance Fee*".

The amount held back in the Performance Pool each month will give the appearance of distributions in Series B of Units of all Classes being lower than in Series F of the Trust Units of all Classes, and distributions in Series A of the Units of all Classes being lower than in the Series B of the Units of all Classes. However, the impact is properly described as a holdback at differential rates among the series until the Performance Fee is calculated at the end of the year.

The Performance Fee is applied at different rates among certain series, which will result in a difference in distributions on an annual basis as between those series of the Classes of Trust Units. See "*Compensation and Fees Paid to the Manager – Performance Fee*".

Management Fee

The Management Fee varies from Class to Class of Trust Units and is paid on a monthly basis. See "*Compensation and Fees Paid to the Manager – Management Fee*". The Management Fee is calculated at each Valuation Date and is paid to the Manager before the Trustee determines the amount distributable on the Trust Units. The Management Fee applies at different rates in each of the Classes of Trust Units, which will contribute to a different net distribution experience across the Classes of Trust Units.

Trailer Fee and Performance Fee

The Trailer Fee and the Performance Fee vary among certain series of the Classes of Trust Units. The Performance Fee is charged annually and the Trailer Fees are charged on a monthly basis. See "*Compensation and Fees Paid to*

the Manager – Performance Fee” and “Compensation Paid to Sellers and Finders – Trailer Fee”, respectively. The Trailer Fee is calculated at each Valuation Date and is paid to the Selling Agents before the Trustee determines the amount distributable on the Trust Units. The fee applies at different rates in certain series of Classes of Trust Units, which will contribute to a different net distribution experience across the Classes of Trust Units. These amounts are calculated at the final Valuation Date of the calendar year and are paid before the Trustee determines the amount distributable on the Trust Units. These fees apply at different rates in certain series of the Classes of Trust Units, which will contribute to a different net distribution experience across the series of Classes of Trust Units.

Series Asset Pool Private LP Exposure Ratio

The extent to which a Unitholder is exposed to the distributions generated by Private LP Units is based on the ratio of the aggregate NAV of all the Private LP Units in the relevant Series Asset Pool to the aggregate NAV of the entire Series Asset Pool. This is the “**Series Asset Pool Private LP Exposure Ratio**” and is expressed by the following:

$$\text{Series Asset Pool Private LP Exposure Ratio} = \frac{\text{Aggregate NAV of Private LP Units in the Series Asset Pool}}{\text{Aggregate NAV of the Series Asset Pool}}$$

Simply stated, the proportionate amount of distributions payable in respect of a Trust Unit, expressed in relation to the amount of distributions declared on Private LP Units in the corresponding Series Asset Pool, will correlate to the Series Asset Pool Private LP Exposure Ratio of such Trust Unit as shown in Table 8.

For Class I and Class II Trust Units of all series, the Series Asset Pool Private LP Exposure Ratio will change over time primarily based on the increase or decrease in the NAV of the Private LP Units and the Public LP Units held in the corresponding Series Asset Pool, as well as changes to the numbers of each type of LP Unit held therein (whether through additional Initial Allocations following a Closing of the Offering, with or without adjustment, or through redemption of Public LP Units to pay expenses, or both). This is illustrated in Schedule “A” to this Offering Memorandum.

The Series Asset Pool Private LP Exposure Ratio of Class III Trust Units will remain static at 100% as there are only Private LP Units in the corresponding Series Asset Pools.

Target Distribution Rate

After the payment of applicable fees and expenses, the Trust will make monthly distributions of the net amount of distributions received in respect of the Private LP Units held in each Series Asset Pool to the holders of the Trust Units issued in respect of each Series Asset Pool. The Manager expects to make such distributions on a monthly basis from each Series Asset Pool at an annual rate (the “**Target Distribution Rate**”) equal to the Hurdle Rate for that Class and series of Trust Units.

For clarity, the Target Distribution Rate for a Class and series of Trust Units is the same as the Hurdle Rate for that Class and series. The term “Hurdle Rate” is more apt for describing the point after which the Performance Fee is applied. See “*Distributions at the Trust level – Differential Hurdle Rates and Fees*” above in this “*Distributions*” section. By comparison, the term “Target Distribution Rate” is more apt for describing what is intended to be distributed on a monthly basis.

The Target Distribution Rate is not guaranteed. The Private LP requires time to invest the funds received from the Trust following each Closing of the Offering. Until these funds are deployed in the Private Portfolio and generating cash flow, there will be no corresponding addition to the Distributable Cash of the Private LP. The lag between Closing and cash flow will create short-term constraints on the Trust’s ability to achieve the Target Distribution Rates. These circumstances may arise at each Closing of the Offering at which significant Net Proceeds are received by the Trust, but the impact will diminish over time as the Private Portfolio grows. This is not expected to pose a significant constraint beyond the period of six to twelve months following the Initial Closing. The Manager will manage the availability of investments in the Private Portfolio to the extent possible and will defer costs to the extent reasonably

practicable in order to mitigate or eliminate any interim impact on achieving the Target Distribution Rates. See “*Risk Factors – Risks Associated with the Trust – No Assurance of Achieving Investment Objectives or Distributions*”. Neither the Target Distribution Rate nor the actual amounts distributed monthly to Unitholders is set or expressed as a percentage of the NAV per Trust Unit. As described above, the actual distribution performance of each Class and series of Trust Units is reflective of the number of Private LP Units in the corresponding Series Asset Pools.

Table 8 below demonstrates how the Series Asset Pool Private LP Exposure Ratio is used to calculate a distribution rate for each Class and series of Trust Unit that correlates to the Target Distribution Rate. This rate is referred to as the “**Trust Unit Target Distribution Rate**”.

TABLE 8 – Trust Unit Annual Target Distribution Rate⁽¹⁾

	Class I Unit ^{(4) (5)}		Class II Unit ^{(4) (5)}		Class III Unit			
	Series A	Series F	Series A	Series F	Series A	Series B	Series F	Series S
Target Distribution Rate ⁽¹⁾	7.0%	9.0%	7.0%	9.0%	7.0%	8.0%	9.0%	5.5%
Series Asset Pool Private LP Exposure Ratio ⁽¹⁾	90%	90%	10%	10%	100%	100%	100%	100%
Trust Unit Target Distribution Rate ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	6.3%	8.1%	0.7%	0.9%	7.0%	8.0%	9.0%	5.5%

Notes on *Table 8*:

- (1) The information in *Table 8* presented above is for illustrative purposes, and the Series Asset Pool Private LP Exposure Ratio, may change significantly over time. While the Target Distribution Rate will not change, all other data will be different at each successive Valuation Date. Subscribers should not assume that the Trust Unit Target Distribution Rate will be fixed at, or even close to, the rates presented above over time in relation to exposure ratios and how they may not always be 90/10 or 10/90 for the Class I and Class II Units, respectively.
- (2) The Target Distribution Rate and the Trust Unit Target Distribution Rate are expressed on an annualized basis.
- (3) The Trust Unit Target Distribution Rate is calculated by multiplying the Target Distribution Rate by the Series Asset Pool Private LP Exposure Ratio. Using the example presented in *Table 8* for the Class I Units, series A, the Trust Unit Target Distribution Rate is calculated as 7.0% x 90% = 6.3% per annum.
- (4) The Trust Unit Target Distribution Rate presented in *Table 8* assumes the Series Asset Pool Private LP Exposure Ratio shown and results in round numbers only because it is taken as at the launch of the Trust for each investor when both the Private LP Units and the Public LP Units had a value of \$10. The Series Asset Pool Private LP Exposure Ratio will not calculate to round numbers on Valuation Dates subsequent to the launch of the Trust for each investor. Whereas the Target Distribution Rate is a fixed rate, the Trust Unit Target Distribution Rate will vary as the Series Asset Pool Private LP Exposure Ratio of the applicable Series Asset Pool changes.
- (5) While Class I and Class II Units, series B are no longer sold as at the date of this Offering Memorandum, all issued and outstanding Class I and Class II Units, series B will continue to seek to achieve the Target Distribution Rate of 8% per annum.

Quarterly Reporting of Trust Unit Target Distribution Rates

The Trust Unit Target Distribution Rate calculated and presented in *Table 8* above is a snapshot as at the Closing Date for each investor when both the Private LP Units and the Public LP Units have a value of \$10. However, the distribution variables will impact the Trust Unit Target Distribution Rate over time.

Annual Performance Distributions

General

Over the course of the calendar year, it is expected that the Trust will accumulate cash in the Performance Pool maintained for each Series Asset Pool. See “*Distributions at the Trust level – Differential Hurdle Rates and fees – Hurdle Rate*” above in this “*Distributions*” section for a discussion of Performance Pools. At the end of each calendar year, the Performance Fee, if any, will be calculated and paid to the Manager out of the Performance Pool and the remaining balance will be distributed pro rata to the holders of the Trust Units issued in respect of that Series Asset Pool (referred to as a “**Performance Distribution**”).

Performance Fee Profit Sharing with Dealing Representatives

If a Performance Distribution is paid to the Manager, the Manager may, in its discretion, share up to 50% of the Performance Fee payable to the Manager with dealing representatives of record in respect of the Units in question, subject to applicable securities laws (the “**Performance Fee Profit Sharing**”).

There is no assurance that any Performance Distributions will be made. See “*Risk Factors – No assurance of Achieving Investment Objectives or Distributions*”. See “*Risk Factors – No assurance of Achieving Investment Objectives or Distributions*”.

Annual Reporting on Distributions

The Manager will provide Unitholders with an annual report on distributions, which report will include the Performance Distribution, if any, and the payment of the Performance Fee, if any, on all Classes and series of Trust Units. See “*Reporting Obligations*”.

As at December 31, 2016, over its initial six months of operations, the Trust paid to investors an aggregate Performance Distribution of approximately \$1,378, from which the amounts paid to investors varied from investor to investor based on the number, Class and series of Units held.

Additional considerations on certain Distributions

If the Trust’s net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders (*e.g.*, where there has been a fee reduction pursuant to the Investor Alignment Program – see *Schedule “B”*), the Trust will also be required to pay or make payable such additional amounts (either in cash or Units) at year end year to Unitholders as is necessary to ensure that the Trust will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds).

Immediately after a distribution of Units to Unitholders of a Class or series in satisfaction of any non-cash distribution, the number of outstanding Units of the relevant Class or series will automatically be consolidated such that each Unitholder of the relevant Class or series will hold, after the consolidation, the same number of Units of the relevant Class or series as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. If distributions are made in Units, a Unitholder’s Canadian tax liability may be increased by an amount in excess of the cash, if any, distributed to the Unitholder. See “*Certain Canadian Federal Income Tax Considerations*”.

SUMMARY OF THE TRUST INDENTURE

The following is a summary of the material terms of the Trust Indenture. This summary is not complete and is qualified in its entirety by the complete terms and conditions of the Trust Indenture. Investors are encouraged to read the Trust Indenture in its entirety, which is available upon request by contacting the Trustee or may be available on the Trust’s website (which may be a password protected and only available to Unitholders).

General

The Trust

The Trust is an unincorporated open-ended trust formed in the Province of Alberta pursuant to the Trust Indenture dated March 31, 2016, as amended as of December 1, 2017. Pinnacle Absolute Return Trustee Corp., a corporation incorporated under the *CBCA*, is the Trustee of the Trust. The Trust elected in its first tax return to be a mutual fund trust from the beginning of its first taxation year under the provisions of subsection 132(6.1) of the Tax Act. The legal ownership of the trust property and the right to conduct affairs of the Trust are vested in the Trustee. The Trust, the Trustee and the Trust Property are governed by general trust law except as amended by applicable securities laws or the Trust Indenture.

Fiscal Year

The fiscal year of the Trust shall end on December 31st of each year.

Unitholders

Unitholders shall have no interest in the Trust Property other than the interest specifically set forth in the Trust Indenture and they shall have no right to compel or call for any redemption of Units or any partition, division, dividend or distribution of the Trust Property, except as specifically provided for in the Trust Indenture. The Trust Indenture shall be binding upon all persons who become Unitholders from time to time. No Unitholder, in its capacity as such, shall incur or be subject to any liability in connection with items enumerated in the Trust Indenture.

Power of Attorney

Each Unitholder grants to the Trustee, and each of its successors and assigns, an irrevocable power of attorney constituting the Trustee, with full power of substitution, as its true and lawful attorney to act on its behalf, with full power and authority in its name, place and stead, to execute, under seal or otherwise, swear to, acknowledge, deliver, make, file or record certain necessary documents as described in the Trust Indenture.

Such power is coupled with an interest, and shall survive the death, mental incompetence, disability and any subsequent legal incapacity of the Unitholder and shall survive the assignment by the Unitholder of all or part of the Unitholder's interest in the Trust and will extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Unitholder. Each Unitholder agrees to be bound by any representations or actions made or taken by the Trustee pursuant to this power of attorney and waives any and all defences, which may be available to contest, negate or disaffirm any actions taken by the Trustee in good faith under this power of attorney.

Use of Funds

Money or other property received by the Trust or the Trustee on behalf of the Trust, including the net proceeds of any Offering, may be used at any time and from time to time for any purpose not inconsistent with the Trust Indenture and the purposes of the Trust set out therein.

Trust Expenses and Pinnacle Expense Allocation Policy

The Trustee will pay the operating expenses of the Trust out of the Trust Property. Operating expenses include costs associated with auditors, accountants, lawyers, appraisers and other professional advisors employed by or on behalf of the Trust, costs associated with the Manager (including in its capacity as portfolio manager of the Trust), costs incurred in connection with the Offering (including printing, translation), costs of reporting to and giving notices to Unitholders, costs of certain ongoing marketing, travel and accommodation expenses, due diligence fees and related costs, regulatory and filings and fees, trustee fees, fund accounting service expenses, insurance expenses, staffing costs, rent, general corporate expenses and overhead and fund administration and salary expenses, including costs from among the foregoing that are Pinnacle costs that are reasonable and justifiable to charge to the Trust in accordance with Pinnacle's Expense Allocation Policy. In addition, the Partnerships have agreed to pay the expenses of the Trust in accordance with the Expense Payment Agreement and the Pinnacle Expense Allocation Policy. See "*Summary of Other Material Agreements – Expense Payment Agreement*", "*The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure*" and "*The Investment Structure – Conflict of Interest Policy*".

Units

Description of the Units

All of the beneficial interest in the Trust shall be divided into interests of multiple classes of Units, namely Class I, Class II and Class III Units, which shall be further divided into multiple series. There shall be no limit on the number of classes or series or, except as designated in the rights, restrictions and conditions of that Class or series, or on the number of any Units in any Class or series. Fractional Units may be issued.

The aggregate proceeds raised pursuant to the issuance of Units of a particular series in respect of a Valuation Date shall initially comprise the Series Asset Pool of such series. The Trustee shall, as soon as practicable following the

receipt of such proceeds, purchase LP Units as follows (or in such other allocation determined by the Trustee from time to time):

- (a) in respect of Class I Units, (i) as to 90% of such proceeds, to purchase Private LP Units, and (ii) as to 10% of such proceeds, to purchase Public LP Units;
- (b) in respect of Class II Units, (i) as to 10% of such proceeds, to purchase Private LP Units, and (ii) as to 90% of such proceeds, to purchase Public LP Units; and
- (c) in respect of Class III Units, (i) as to 100% of such proceeds, to purchase Private LP Units.

For greater certainty, the LP Units so purchased shall constitute Trust Property attributed to the Series Asset Pool of such series of Units.

For a description of the various series of each of the Class I, II and III Units, see “*Description of the Units*”.

Each whole Unit shall entitle the holder thereof to receive notice of, attend at, and cast one vote at a meeting of the Unitholders in respect of any vote upon which the applicable Class or series of Units is entitled to vote, or to execute any written Ordinary Resolution or Special Resolution of the applicable Class or series of Trust.

Each Unit of the same series will represent an equal undivided interest in the applicable Series Asset Pool. The Units shall not be listed or traded on a stock exchange or a public market.

Class or series attributes of the Units may be amended from time to time in accordance with provisions contained in the Trust Indenture. The aggregate number of Units that are authorized and may be issued under the Trust Indenture is unlimited.

The Trustee may at any time or times and on not less than 14 days’ notice in writing, give to each applicable Unitholder and the Trustee a notice that each Unit of a particular Class or series (or combination thereof) shall be subdivided into additional Units, or consolidated into a fraction of a Unit, of such Class or series, whereupon each applicable Unit shall stand subdivided or consolidated accordingly.

Non-Resident Ownership Constraints

It is in the best interest of the Unitholders that the Trust always qualifies as a “mutual fund trust” under the Tax Act and this requires, among other things, that the Trust shall not be established or maintained primarily for the benefit of Non-Residents. A Unitholder shall advise the Trustee in writing not less than thirty days prior to becoming a Non-Resident that it intends to become a Non-Resident and identify the date for the change in residency status. The Trustee is provided certain rights contained in the Trust Indenture, including the right to sell Units on behalf of a Non-Resident, to ensure such status is maintained.

Transfer of Units

A transfer of Units shall not be effective as against the Trustee or shall be in any way binding upon the Trustee until (i) the details concerning the transfer, including name, address and country of residence of the transferee, as well as the price per Unit at which the sale and transfer has occurred, have been reported to the Trust; unless the Trustee determines in its sole discretion that such information need not be provided; (ii) the Trustee has received a form of transfer acceptable to the Trustee which shall include such representations and/or opinions or other assurance regarding compliance with Applicable Laws; and (iii) the transfer has been recorded on the applicable Trust register.

Compulsory Acquisition of Units on a Take-Over Bid

The Trust Indenture contains provisions to the effect that if a take-over bid is made for Units and the bid is accepted within 120 days of the date of such take-over bid by holders holding Units representing 90% or more of the Net Asset Value of the Trust (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror), the offeror shall be entitled to acquire the Units held by Unitholders who did not accept the offer on the terms offered by the offeror, subject to compliance with the relevant provisions of the Trust Indenture.

Distributions

Subject to certain provisions of the Trust Indenture, the Trustee shall have the sole discretion to determine if any distribution or distributions of the property or assets of the Trust are to be made, the Class or series of Units in respect of which such distribution will be paid, the time or times of such distributions and the record date or dates for the purposes of determining Unitholders entitled to receive distributions. See “*Distributions*” for additional information.

Treatment of Distributions from the Private LP to the Trust

Distributions, if any, received by the Trustee in respect of the Private LP Units held in a particular Series Asset Pool from time to time shall be deposited in the Series Asset Pool of such series, and the amount(s) of such deposit(s) during each Distribution Period shall be added by the Trustee to the “**Private LP Pool**” for such series. The Manager may, in its discretion, invest such distributions, including, without limitation, in additional Private LP Units.

On each Distribution Record Date, the Trustee shall declare payable to the holders of each series of Units an amount equal to the lesser of:

- (A) the Hurdle Rate for such series multiplied by the aggregate Net Asset Value (as at the applicable Valuation Date) of the Private LP Units held in the Series Asset Pool of such series; and
- (B) the greater of (x) nil, in which event the Trustee shall redeem such number of Private LP Units in the Series Asset Pool of such series as is required to pay the amounts set out below and (y) the remainder of the Private LP Pool for such series, less:
 - (i) the Expenses Amount per Unit for such Distribution Period multiplied by the product of the Allocation Ratio and the total number of Trust Units of such series then outstanding;
 - (ii) the Trailer Fee applicable to such series multiplied by the aggregate Net Asset Value (as at the applicable Valuation Date) of the Private LP Units held in the Series Asset Pool of such series;
 - (iii) the Dealer Fee applicable to such series multiplied by the aggregate Net Asset Value (as at the applicable Valuation Date) of the Private LP Units held in the Series Asset Pool of such series; and
 - (iv) the Management Fee applicable to such series multiplied by the aggregate Net Asset Value (as at the applicable Valuation Date) of the Private LP Units held in the Series Asset Pool of such series.

On the last day of each Fiscal Year, for each series, the Trustee shall distribute: (i) subject to such adjustments as are determined by the Trustee to be in the best interests of Unitholders of such series, an amount equal to the balance of the Private LP Pool of such series, if any, minus the applicable Performance Fee to the Unitholders of such series, and the balance of the Private LP Pool to the Manager; and (ii) an amount equal to the balance of the Public LP Pool of such series, if any, to the Unitholders of such series.

Treatment of Expenses payable in respect of Public LP by the Trust

Distributions, if any, received by the Trustee in respect of the Public LP Units held in a particular Series Asset Pool from time to time shall be deposited in the Series Asset Pool of such series, and the amount(s) of such deposit(s) during each Distribution Period shall be added by the Trustee to the “**Public LP Pool**” for such series. The Trustee may, in its discretion, invest such distributions, including, without limitation, in Public LP Units. On each Distribution Record Date, the Trustee shall pay from available capital of the Trust or for each series, redeem such number of Public LP Units in the Series Asset Pool of such series as is equal to the Public LP Pool of such series, less the following amounts, and use the proceeds from such redemption to pay the following amounts:

- (a) the Expenses Amount per Unit for such Distribution Period multiplied by the product of the Allocation Ratio and the total number of Trust Units of such series then outstanding;
- (b) the Trailer Fee applicable to such series multiplied by the aggregate Net Asset Value (as at the applicable Valuation Date) of the Public LP Units held in the Series Asset Pool of such series;

- (c) the Dealer Fee applicable to such series multiplied by the aggregate Net Asset Value (as at the applicable Valuation Date) of the Public LP Units held in the Series Asset Pool of such series; and
- (d) the Management Fee applicable to such series multiplied by the aggregate Net Asset Value (as at the applicable Valuation Date) of the Public LP Units held in the Series Asset Pool of such series.

In addition to any the distributions discussed above, the Trustee, in its sole discretion, may declare and make distributions of capital to Unitholders of a particular series, from time to time.

Redemption of Units

Redemption Process

Units of any class or series may be surrendered for redemption at any time following the date that is six months following the issuance of such Units at the demand of the Unitholder, subject to certain fees and conditions.

Any Unitholder seeking a redemption must give written notice to the Trustee stating its intention to redeem and the number and class of Units to be redeemed at least 60 days in advance of the desired Redemption Date.

Any redemption must be in increments of 10 whole Units of each applicable series (unless redeeming all Units of the applicable series held by a Unitholder), provided however that any partial redemption, (i.e. not a redemption of all of Units of the applicable class held by a Unitholder), must result in a Unitholder holding not less than 10 Units of the applicable class in the Trust.

If, as a result of a redemption of Units, there are no longer any Units of a particular series outstanding, then the amount of the Private LP Pool and Public LP Pool for such series of Units will be transferred by the Trustee on a pro rata basis to the Private LP Pools and Public LP Pools, respectively, of all other series of Units then outstanding.

Payment shall be made on the Redemption Payment Date by cheque payable to or to the order of the Unitholder or by such other manner of payment, including electronic fund transfer, wire transfer or payment in kind, approved by the Trustee from time to time. However, if the Series Asset Pool of a Unit being redeemed is comprised in whole or in part of Partnership Redemption Notes (described below), payment of the redemption proceeds for such Unit shall be made in Trust Redemption Notes or Trust Redemption Notes and cash in the manner set out in the Trust Indenture. See “*Summary of the Trust Indenture – Trust Redemption Notes*”.

Trust Redemption Notes

Due to the liquidity constraints of the Private Portfolio, the Private LP may not have sufficient cash available to fund redemptions where a significant amount is made in a single Redemption Period. Although the Public LP’s Public Portfolio is expected to be comprised of securities that are redeemable on demand, the redemption of such securities may be suspended from time to time, and could thereby leave the Public LP with insufficient cash available to fund redemptions. In the event a Partnership is required to issue Partnership Redemption Notes to the Trust on redemption of LP Units, the Trust shall issue corresponding Trust Redemption Notes to redeeming Unitholders, *pro rata*.

Subscribers should note that Redemption Notes will not be a qualified investment for Registered Plans. See Item 6 - “*Income Tax Considerations*” and Item 8 - “*Risk Factors - Payment of Redemption Price in Kind and through issuance of Redemption Notes*”.

In the event that the Trust issues Redemption Notes to redeeming Unitholders, the Trustee and General Partners shall comply with the following:

- (a) the Trustee, on behalf of the Trust, shall only issue Redemptions Notes in compliance with the terms and conditions of the Trust Indenture;
- (b) the form of the Redemption Notes to be issued by the Trust shall be approved by the independent directors of the Trustee in accordance with the Conflict of Interest Policy of the Trustee;
- (c) the Trustee, on behalf of the Trust, shall advise redeeming Unitholders as soon as practicable in writing (the “**Redemption Note Issuance Notice**”) that the Redemption Price for the Units tendered for redemption will be paid in whole or in part by Redemption Notes, and such Unitholders have 15 Business Days from the date of the Redemption Note Issuance Notice to rescind their redemption request, if desired; and

- (d) the Redemption Note Issuance Notice shall include: (i) the form of the Redemption Note; (ii) reference to the ineligibility of Redemption Notes as a qualified investment for Registered Plans and the general tax consequences to a Unitholder holding a “prohibited investment”, such as a Redemption Note in a Registered Plan; (iii) discussion of options available to a Unitholder and a Registered Plan trustee of a Unitholder, as a result of receiving a prohibited investment in a Registered Plan as issued by the Trust; (iv) reference to the risk factor having the heading “*Priority of Redemption Notes over Units*” in this Offering Memorandum; and (v) advice to the Unitholder to speak with their legal counsel and tax advisors regarding points (i)-(iv) in this paragraph (d).

See “*Summary of the Partnership Agreements – Redemption of LP Units – Private LP Redemption Notes*” and “*Risk Factors – Risks Associated with the Trust – Repayment of Redemption Notes*”.

Early Redemption Fee

Units cannot be redeemed for the first six months following the date the investment was completed and the Units in question were issued. Except for holders of Class III Units, series S, Unitholders who redeem Units after six months, but before twelve months, following the date such Units were issued, will be required to pay the Early Redemption Fee. The Early Redemption Fee is an amount equal to: (a) \$150 plus (b) 1.5% of the gross Redemption Amount of such Units.

Holders of Class III Units, series S can be redeemed those Units at any time after six months following the date such Units were issued without the payment of an Early Redemption Fee in accordance with the Trust’s redemption procedures.

The amount of the Early Redemption Fee charged will be deducted from the proceeds of any redemption of Units otherwise payable or paid by the Trustee. No Early Redemption Fee will be charged as a result of a redemption upon the death of a Unitholder or as a result of the Unitholder exercising a statutory right of withdrawal or rescission.

After twelve months, no redemption fee or any other charge is payable by any Unitholder in respect of the redemption of Units of any Class or series.

Pertaining to the Trustee

Resignation or Removal of the Trustee and Appointment/Election of Trustee

The terms of office of any Trustee shall until the earlier of: (a) the date of the termination of the Trust; (b) the effective date of the Trustee’s resignation in accordance with the Trust Indenture; or (c) the effective date of the removal of the Trustee in accordance with the Trust Indenture.

At all times, the Trustee must be a resident of Canada for income tax purposes and be incorporated under the laws of Canada or under the laws of a province thereof.

The Trustee may resign as Trustee by giving to the Manager not less than 90 days’ prior written notice of such resignation. If a replacement Trustee has not been appointed by the effective time of such resignation, the Manager shall act as interim Trustee until a replacement Trustee is appointed by the Manager.

The Trustee shall also be removed at any time or without cause by way of a Special Resolution passed by the Unitholders. The Trustee may also be removed at any time upon the happening of certain events set out in the Trust Indenture, in which event the Manager shall act as interim Trustee until a replacement Trustee is appointed by the Manager. The removal or resignation of the Trustee shall take effect upon the earliest of (i) 90 days after the date of notice of such resignation is given, such Ordinary Resolution is approved, or such notice to the Manager is given, as applicable; or (ii) until a successor trustee has been elected or appointed pursuant to the terms of the Trust Indenture.

Upon the resignation or removal of the Trustee, the Trustee shall cease to have right, privileges and powers of a Trustee, except for its rights to be compensated and indemnified as pursuant to the terms of the Trust Indenture, and shall execute and deliver all documents reasonably required to transfer any Trust Property held in the Trustee’s name and to provide for the transition of the Trust’s activities and affairs to the successor trustee.

The departing Trustee shall continue to be entitled to payment of any amounts owing by the Trust to the Trustee, which accrued prior to its departure. The departing Trustee shall continue to be liable in respect of or in any way

arising out of the Trust Indenture which accrued prior to the resignation or removal of the Trustee; however, the departing Trustee shall continue to benefit from any indemnity and limitation of liability provisions set out in the Trust Indenture.

Powers and Duties of Trustee

The Trustee, subject only to the specific limitations and grant of powers to the Trustee contained in the Trust Indenture, shall have, without further or other action or consent, and free from any power of control on the part of the Unitholders, full, absolute and exclusive power, control and authority over the Trust Property and over the affairs of the Trust to the same extent as if the Trustee were the sole and absolute beneficial owner of the Trust Property in its own right, to do all such acts and things as in its sole judgement and discretion are necessary or incidental to, or desirable for, carrying out the trust created under the Trust Indenture.

In construing the provisions of the Trust Indenture, presumption shall be in favour of the granted powers and authority to the Trustee. Except as expressly prohibited by law, the Trustee may grant or delegate to any person such authority and such powers of the Trustee hereunder as the Trustee may in its sole discretion deem appropriate, necessary or desirable to carry out and effect the actual management and administration of the duties of the Trustee under this Trust Indenture, without regard to whether such authority is normally granted or delegated by trustees.

The enumeration of any specific power or authority in the Trust Indenture shall not be construed as limiting the general powers or authority or any specified power or authority conferred on the Trustee. The Trustee shall also be entitled to make any reasonable decisions, designations or determinations not contrary to the Indenture which it may determine are necessary or desirable in interpreting, applying or administering this Indenture or in administering, managing or operating the Trust.

The standard of care required of the Trustee in exercising its powers and carrying out its functions under the Trust Indenture shall be that it exercise its powers and carry out its functions hereunder as Trustee honestly, in good faith and that in connection therewith it exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

All costs, charges and expenses properly incurred by the Trustee on behalf of the Trust may be payable out of the Trust Property. Except for the Offering Costs, the direct and indirect fees and expenses of the Trust shall be paid by the Public LP and the Private LP in accordance with the Expense Payment Agreement and Pinnacle Expense Allocation Policy.

Restrictions on the Trustee's Powers and their Exercise

The Trustee shall not, without the unanimous approval of the Independent directors on the Board, change the auditor or appoint a successor auditor except in the event of a voluntary resignation by the auditor or vote, directly or indirectly, its LP Units in a Partnership in respect of any Ordinary Resolution of such Partnership; and the Trustee shall not, without the approval of the Unitholders by Special Resolution: (i) amend the Trust Indenture, except as otherwise permitted; (ii) authorize the termination, liquidation or winding up of the Trust, other than pursuant to a termination in accordance with the Trust Indenture; or (iii) vote, directly or indirectly, its LP Units in a Partnership in respect of any Special Resolution of such Partnership.

Conflict of Interest

Pursuant to the Trust Indenture, Unitholders acknowledge that subject to the Trustee's general obligations under this Agreement: (a) the Trustee, its affiliates and associates may act as the investment adviser or in a similar capacity for other entities with responsibility for the management of the assets of those other entities at the same time as it is managing the Trust Property and may use the same or different information and trading strategies obtained, produced or utilized in managing the Trust Property and affiliates of the Trustee and their respective officers, directors and employees may, at any time, engage in the promotion, management or investment management of any other fund or partnership; (b) the Trustee, its affiliates and associates and their respective directors, officers and shareholders, if applicable, may be and are permitted to be engaged in and continue in private investment and other businesses in which the Trust may or may not have an interest and which may be in competition with the activities of the Trust; and (c) Trust activities may lead to the incidental result of providing additional information with respect to, or augmenting the value of, assets or properties in which the Trustee or other parties not at arm's length with the Trustee have or subsequently acquire either a direct or indirect interest. The Unitholders agree that these instances shall not constitute

a conflict of interest or a breach of fiduciary duty to the Unitholders. Further, the Unitholders agree that the Trustee will not be required to account to the Trust or Unitholders for any benefit or profit derived from any such activities unless such activity is contrary to the express terms of the Trust Indenture. See also, *“The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure”*, *“The Investment Structure – Conflict of Interest Policy”* and *“Risk Factors – Risks Associated with the Trust – Conflicts of Interest”*.

Independent Directors

All Conflict of Interest Matters involving the Trust shall be decided upon by the Trustee, and for greater certainty, by the affirmative vote of all independent members of the board of directors of the Trustee. If the Trustee does not have at least one independent member on its board of directors, it will not be permitted to act upon, or take any actions in connection with, any Conflict of Interest Matter until an independent member is appointed to its board of directors. See *“The Investment Structure – Governance of the Trust and the Partnerships”* and *“The Investment Structure – Relationships between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure”* and *“Risk Factors – Risks Associated with the Trust – Conflicts of Interest”*.

Additional Provisions of the Trust Indenture

Amendments

The Trustee may make amendments to the Trust Indenture, without the consent of the Unitholders, in certain limited circumstances such as: (a) the addition of additional Classes or series of Units; (b) to reduce the length of the Valuation Period; (c) ensuring compliance by the Trust with Applicable Laws; (d) providing additional protection for Unitholders or to obtain, preserve or clarify desirable tax treatment to Unitholders; (e) providing for the electronic delivery by the Trust to Unitholders of such documents relating to the Trust as may be or may become required to be delivered by the Trust under applicable securities laws; (f) making minor corrections or cure inconsistencies within the Trust Indenture, making corrections, or removing or curing any conflicts or inconsistencies between the provisions of the Trust Indenture or any supplemental indenture and any other agreement of the Trust; and/or (g) curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions, provided that, the rights of the Unitholders are not materially prejudiced thereby. All other amendments are required to be made by a Special Resolution of the Unitholders, which are to be consented to by the Trustee; however, no such amendment shall limit, reduce, impair or negate any privilege, right, benefit or indemnity provided to the Trustee in the Trust Indenture without the consent of the Trustee. Effective as of December 1, 2017, the Trust Indenture was amended. See *“Amendments to the Trust Indenture and Private LP Agreement”*

Meetings of Unitholders

There shall be no requirement to hold an annual meeting of Unitholders. At the discretion of the Trustee, a meeting of the Unitholders may be called at any time by the Trustee for the purpose of: (a) the appointment of the auditor of the Trust; and (b) transacting such other business as the Trustee may determine or as may properly be brought before the meeting.

In the event that any decision or matter to be put before the Unitholders at a Unitholder meeting or to be approved by Special Resolution or Ordinary Resolution will affect the rights and obligations of a Class or series (or combination thereof) of Unitholders in a manner unique or specific to such Class or series (or combination thereof), then such matter shall require the approval at the Unitholder meeting or by Ordinary Resolution or Special Resolution, as applicable of such specific class or classes of Unitholders, in addition to any other approval required in the Trust Indenture.

Unitholders holding in the aggregate not less than 33 1/3% of all votes entitled to be voted at (i) a Unitholder Meeting; or (ii) a meeting of a Class or series (or combination thereof) of Unitholders, may requisition the Trustee to call a meeting of such Class or series (or combination thereof) of Unitholders for the purposes stated in the requisition.

A quorum for any Unitholder meeting shall be two or more persons present in person and being Unitholders or representing, by proxy, Unitholders, and who hold in the aggregate not less than 10% of all votes entitled to be voted at the meeting except for purposes of (i) passing a Special Resolution in which case such persons must hold at least 20% of the Units outstanding and entitled to vote thereon; and (ii) passing a Special Resolution to remove or replace

the general partner of the Partnership, in which case such persons must hold at least 50% of the Units outstanding and entitled to vote thereon.

The Unitholders are permitted to pass resolutions in regards to certain matters that will bind the Trustee, either by way of Ordinary Resolution or Special Resolution. This includes: (i) the election or removal of the Trustee; (ii) the appointment or removal of the auditor; (iii) amendments to the Trust Indenture; (iv) the termination or dissolution of the Trust; and (v) other matters as set out in the Trust Indenture.

Termination of Trust

Subject to the other terms of the Trust Indenture, the Trust shall continue for a term ending on the earliest of (a) the dissolution or termination of both Partnerships in accordance with the Partnership Agreements; and (ii) 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on March 31, 2016.

The Trust may be wound up or terminated if resolved by a Special Resolution of the Unitholders. Upon being required to commence to wind-up or terminate the affairs of the Trust, the Trustee shall give notice of such wind-up or termination to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation. The Trustee shall sell and convert the Trust Property into money and do all other acts to liquidate the Trust, and shall distribute the remaining proceeds of sale or the undivided interests in the remaining Trust Property directly to the Unitholders in accordance with their entitlements.

The Trustee may at any time terminate and dissolve the Trust without requiring Unitholder approval by giving to each then Unitholder written notice of its intention to terminate at least 120 days before the date on which the Trust is to be terminated.

Liability of Trustee, Unitholders and Other Matters

Subject to the standard of care, diligence and skill to which the Trustee is held, none of the Trustee nor any director, officer, employee or agent thereof shall be liable to the Trust or any Unitholder for any action taken in good faith in reliance on any documents that are, prima facie, properly executed; for any depreciation of, or loss to, the Trust incurred by reason of the sale of any security; for the loss or disposition of monies or securities; or for any other action or failure to act. Any liability of the Trustee for, or in respect of, or that arise out of, or result from the Trustee's breach of this Trust Indenture shall be limited, in the aggregate, to the amount of remuneration paid by the Trust and its Affiliates to the manager and its affiliates and associates in the twelve months immediately prior to the Trustee first receiving written notice of such liability, subject to the Trustee's gross negligence, wilful misconduct or fraud.

Each Trustee, each officer of the Trust, each director, officer, employee and agent of the Trustee and each person who formerly held any of such positions shall be entitled to be indemnified and reimbursed out of the Trust Property in respect of any and all taxes, penalties or interest in respect of unpaid taxes or other governmental charges imposed upon such party as a result of his or her role pursuant to the Trust Indenture and in respect of all amount, costs, charges and expenses, including litigation costs, unless any such costs or amounts arise out of a result of such party's gross negligence, wilful misconduct or fraud.

The Trust shall have no liability to reimburse any person for transfer or other taxes or fees payable on the transfer of Units or any income or other taxes assessed against any person by reason of ownership or disposition of Units.

Supplemental Indentures

The Trustee may, subject to the provisions of the Trust Indenture, and it shall, when so directed in accordance with the provisions of the Trust Indenture, execute and deliver indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes: (a) modifying or amending any provisions of the Trust Indenture in certain circumstances; (b) modifying or amending any provisions of the Trust Indenture where the modification or amendment has been consented to, approved or ratified by some or all of the Unitholders; and (c) creation of rights and obligations in respect of a new Class or series of Units.

Records and Financial Information

The Trustee shall prepare and maintain or cause to be prepared and maintained, records containing (a) the Trust Indenture; (b) minutes of meetings and resolutions of Unitholders; (c) minutes of meetings and resolutions of the Trustee; and (d) the registers of the Trust. The Trust shall also prepare and maintain adequate accounting records.

On or before the day that is 90 days following the end of each fiscal year for the Trust, or such other date as may be required under Applicable Law, the Trust shall provide to Unitholders such information regarding the Trust required by Canadian law to be submitted to Unitholders for income tax purposes to enable Unitholders to complete their tax returns in respect of the prior calendar year.

The Trustee shall satisfy, perform and discharge all obligations and responsibilities of the Trustee under the Tax Act and neither the Trust nor the Trustee shall be accountable or liable to any Unitholder by reason of any act or acts of the Trustee consistent, or carried out in intended compliance, with any such obligations or responsibilities.

See “*Reporting Obligations*” for a discussion of the ongoing disclosure the Trustee will provide to Unitholders.

Auditor

The initial auditor will be KPMG LLP. The initial auditor shall hold such office until the next subsequent auditor is approved by the Independent directors on the Board meeting that is called by the Trustee or requisitioned by the Unitholders for the purpose of electing the auditor or otherwise determined by the Trustee. A replacement auditor may be elected at a Unitholder meeting held in accordance with the Trust Indenture. The auditor shall audit the accounts of the Trust at least once each year and a report of the auditor with respect to annual financial statements of the Trust shall be provided to each Unitholder.

Commingling of Trust Property

The Trustee shall maintain the Trust Property separate from all other property in its possession and not commingled, and to the extent that all or part of the Trust Property is placed in the possession of any other person on behalf of the Trust, the Trustee shall take such reasonable steps to ensure that such persons shall also keep such Trust Property separate from all other property of such persons and not commingled.

SUMMARY OF THE PARTNERSHIP AGREEMENTS

The following is a summary of the material terms of the Partnership Agreements. This summary is not complete and is qualified in its entirety by the complete terms and conditions of the Partnership Agreements. Investors are encouraged to read the Partnership Agreements in their entirety, which are available upon request by contacting the Trustee or may be available on the Trust’s website (which may be a password protected and only available to Unitholders).

General

Business of the Private LP and Public LP

The Private LP shall carry on the business of creating a pool of investment capital to be advanced by the Private LP General Partner to third parties for lending and other forms of financing in accordance with the investment guidelines and restrictions established in Private LP Agreement. Subject to the delegation of activities under the Private LP Agreement, and subject to the powers of the Limited Partners, the Private LP General Partner has the full and exclusive right, power and authority to manage and control the activities and business of the Private LP and to make decisions regarding the undertaking and business of the Private LP.

The Public LP shall carry on the business of creating a pool of investment capital to be invested by the Public LP General Partner in securities of one or more investment funds in accordance with the Public LP’s Investment Objectives established pursuant to the Public LP Agreement. Subject to the delegation of activities under the Public LP Agreement, and subject to the powers of the Limited Partners, the Public LP General Partner has the full and exclusive right, power and authority to manage and control the activities and business of the Public LP and to make decisions regarding the undertaking and business of the Public LP.

Fiscal Year

Each Partnership will use December 31st in each year, or such other date as its General Partner may determine, as its fiscal year.

Pertaining to the General Partners

Power of the General Partners

The Partnership Agreements set out some of the specific powers of the General Partners. Each of the General Partners has covenanted that it will exercise its powers and discharge its duties under the applicable Partnership Agreement honestly and in good faith. Certain restrictions are imposed on each of the General Partners and certain acts may not be taken by it without the approval of the Limited Partners by way of an Ordinary or Special Resolution. The General Partners may retain advisors, experts or consultants to assist it in the exercise of their powers and the performance of their duties as General Partner.

Under the terms of the Partnership Agreements, each of the General Partners agree, among other things, that the funds of each of the Partnerships will not be commingled with any other funds or assets of the applicable General Partner or any other Person.

Certain matters concerning valuation and allocation of investments shall be determined by the General Partner, whose determination, so long as made in good faith, shall be final and conclusive as to all of the Partners. The Manager shall review the valuation policy from time to time and amend as necessary or advisable.

Expenses of the General Partners

Each General Partner shall be reimbursed by its Partnership for all Expenses of the General Partner, including all direct general, administrative expenses that may be incurred by the Trust and all such other fees and expenses of the Trusts and/or Partnerships as allocated to the Partnerships in accordance with Pinnacle's Expense Payment Agreement. The reimbursement of fees and expenses not contemplated in Pinnacle's Expense Payment Agreement shall be determined in accordance with Pinnacle's Expense Allocation Policy and authorized by all of the independent directors of such General Partner and such other requisite majority of the directors of the General Partner.

Money or other property received by the Partnership or the General Partner on behalf of the Partnership, including the net proceeds of any offering, may be used at any time and from time to time for any purpose relating to the business of the Partnership as set out in the Partnership Agreements.

Transfer of Interest of General Partner and Resignation or Removal of the General Partner

Except as otherwise provided in each Partnership Agreement, a General Partner may not sell, assign, transfer or otherwise dispose of its interest as the general partner in the Partnership.

Each General Partner will continue in its role as general partner of its Partnership until termination of the Partnership unless such General Partner is removed or has resigned in accordance with the Partnership Agreement. Each General Partner may voluntarily withdraw as general partner by giving 180 days' notice, such notice to be effective immediately following the admission of the successor general partner.

Upon the passing of any resolution of the directors or shareholders of the General Partner requiring or relating to bankruptcy, dissolution, or winding-up of the General Partner, the making of any assignment by the General Partner for the benefit of creditors of the General Partner, the appointment of a trustee or permanent receiver of the General Partner or the General Partner failing to maintain its status under the Partnership Agreement, the General Partner will be deemed to have been removed upon the appointment of a replacement general partner by the Limited Partners. The General Partner may also be removed if it has committed a material breach or is in default of the Partnership Agreement for a period of 30 days after notice, and such removal is approved by Special Resolution of the Limited Partners.

Upon the removal of the General Partner, the Partnership and the Limited Partners shall release and hold harmless the General Partner from all actions, claims, costs, demands, losses, damages and expenses with respect to events, which occur in relation to the Partnership after the effective time of such removal.

Liability of the General Partners

The General Partner has unlimited liability for the debt, liabilities and obligations of the Partnership.

Each General Partner shall assume no responsibility to the Partnership and shall bear no liability to the Partnership or the Limited Partners for any loss suffered by the Partnership unless caused by the gross negligence or wilful misconduct of the General Partner. The General Partner shall be indemnified by the Partnership for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding made against the General Partner in the exercise of the performance by the General Partner of its duties as general partner of the Partnership, except those resulting from wilful misconduct or gross negligence.

Each General Partner will indemnify and hold harmless the Limited Partners from and against all costs, damages, liabilities or losses incurred resulting from not having limited liability, other than the loss of limited liability caused by any act or omission of the Limited Partners. Further, the General Partner shall indemnify the Partnership for any costs, damages, liabilities or losses incurred by the Partnership or the Limited Partners as a result of gross negligence or wilful misconduct by the General Partner.

Pertaining to Limited Partners

Becoming a Limited Partner

A subscriber for LP Units will become a Limited Partner upon the acceptance by the General Partner of the subscriber's subscription agreement and other documentation and payment of such Limited Partner's Capital Contribution.

It is anticipated that the Trust will be the sole Limited Partner of each of the Partnerships.

Powers of the Limited Partners

The Limited Partners may, by way of a Special Resolution of the Limited Partners: (i) with the consent of the General Partner, amend the business and investment objectives of the Partnership; (ii) amend the Partnership Agreement; (iii) replace or remove the General Partner; (iv) amend the investment restrictions imposed on the Partnership; (v) dissolve the Partnership; (vi) appoint a receiver in the event the General Partner is unable or unwilling to act as the receiver of the Partnership; (vii) amend the investment guidelines of the Partnership; and (viii) amend, modify, alter or repeal any Special Resolution of the Limited Partner

Limited Liability of Limited Partners

Subject to the Partnership Act, and any specific assumption of liability, the liability of a Limited Partner for the debts of the Partnership is limited to the amount of its Capital Contribution made or agreed to be made to such Partnership plus its pro rata share of the Private LP Pool and a Limited Partner shall have no further personal liability for such debts and, after making the full amount of its Capital Contribution to the Partnership, a Limited Partner shall not be subject to, nor be liable for, any further calls or assessments or further contributions to the Partnership.

Representations of Limited Partners under the Partnership Agreements

Under the terms of the Partnership Agreements, each Limited Partner represents and warrants and covenants, as applicable, with each other Partner that it: (i) is not a "Non-Resident" of Canada within the meaning of the Tax Act; (ii) is not a "non-Canadian" within the meaning of the *Investment Canada Act*; (iii) if an individual, has the capacity and competence to enter into and be bound by the Partnership Agreement and all other agreements contemplated hereby; (iv) if a corporation, partnership, unincorporated association or other entity, has full power and authority to execute the Partnership Agreement and all other agreements contemplated hereby required to be signed by it and to take all actions required pursuant hereto, and has obtained all necessary approvals of directors, shareholders, partners, members or others; (v) has duly authorized, executed and delivered the Partnership Agreement and that such Partnership Agreement constitutes a legal, valid and binding obligation of it enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency and other laws affecting the enforcement of creditor's rights generally and general principles of equity; (vi) it is not a person or a partnership, an interest in which is a "tax shelter investment" for purposes of the Tax Act; (vii) shall act with the utmost fairness and good faith towards the other Partners in the business and affairs of the Partnership; and (viii) shall from time to time promptly provide to the General Partner such evidence of its status as the General Partner may reasonably request.

Each Limited Partner covenants and agrees that it will not transfer or purport to transfer its LP Units to any person who is or would be unable to make the representations and warranties as stated above. Where at any time a Limited

Partner is a Non-Resident, the General Partner may require that Limited Partner to transfer its LP Unit or LP Units to a resident of Canada.

Limitation on Authority of Limited Partners

While Limited Partners have voting rights with respect to certain matters, including the termination of the Partnership, no Limited Partner, in its capacity as such, may take part in the operation or management of the activities of the Partnership nor may any Limited Partner, in its capacity as such, have the power to sign for or to bind the Partnership. No Limited Partner shall be entitled to bring any action for partition or sale or otherwise in connection with any interest in any property of the Partnership, whether real or personal, or register, or permit to be filed or registered or remain undischarged, against any property of the Partnership any lien or charge in respect of the interest of such Limited Partner in the Partnership or to compel a partition, judicial or otherwise, of any of the property of the Partnership distributed to the Limited Partners in kind. Limited Partners shall comply with the provisions of the *Partnership Act* in force or in effect from time to time and shall not take any action, which will jeopardize or eliminate the status of the Partnership as a limited partnership.

LP Units and Capital

LP Units

Each Partnership is authorized to issue an unlimited number of Private or Public LP Units, as the case may be, and an unlimited number of general partner units, each having the rights, privileges, restrictions and conditions referred to in each of the Partnership Agreements.

Except as otherwise expressly provided in the Private LP Agreement, each of the outstanding Private LP Units shall be equal to each other outstanding Private LP Unit with respect to all matters including the right to receive distributions from the Private LP, and no Private LP Unit shall have any preference or right in any circumstances over any other Private LP Unit.

Except as otherwise expressly provided in the Public LP Agreement, each of the outstanding Public LP Units shall be equal to each other outstanding Public LP Unit with respect to all matters including the right to receive distributions from the Public LP, and no Public LP Unit shall have any preference or right in any circumstances over any other Public LP Unit.

Each Limited Partner shall be entitled to one (1) vote for each whole LP Unit held by it in respect of all matters to be decided by holders of those same LP Units. Each LP Unit represents the right to receive a *pro rata* share of allocations and distributions declared by the applicable Partnership.

Except as otherwise expressly provided, each outstanding general partner unit of a Partnership shall be equal to each other outstanding general partner unit of that same Partnership with respect to all matters including the right to receive distributions from such Partnership, and no general partner unit shall have any preference or right in any circumstances over any other general partner unit. Each general partner unit represents the right to receive a *pro rata* share of allocations and distributions declared by the applicable Partnership.

The General Partner may, at any time or times set a record date on which each applicable LP Unit shall be (i) subdivided into additional LP Units, and effective as of the record date, each such LP Unit shall stand subdivided accordingly without any further action by the General Partner or the holder; or (ii) consolidated into a fraction of an LP Unit, and effective as of such record date, each such LP Unit shall stand consolidated accordingly without any further action by the General Partner or the holder.

At no time may “financial institutions” (as that term is defined in subsection 142.2(1) of the Tax Act) be the beneficial owners of more than 45% of the Private or Public LP Units. The General Partner may require any Limited Partner to provide a declaration as to its status as a financial institution.

Transfer of LP Units

LP Units may be transferred, subject to compliance with the provisions of the applicable Partnership Agreement and all applicable securities legislation. No transfer shall be effective unless, among other things, the General Partner has given its written consent approving the transfer. LP Units may be transferred by the Limited Partner or its agent duly authorized in writing to any Person by delivering to the General Partner a duly completed instrument of transfer in the

approved form, or such other form acceptable to the General Partner, together with such evidence of genuineness of each such endorsement, execution and authorization and other matters as may be reasonably required by the General Partner. The transferee must execute a counterpart to the Partnership Agreement or otherwise agree to be bound by its terms and must become responsible for all obligations of the transferor to the Partnership.

A transferee must also be able to make the same representations and warranties as those made by each Limited Partner as set out above.

Capital Contributions and Capital Accounts

Each Partner shall make a Capital Contribution to the Partnership, which shall be the subscription price for the LP Units or general partner units, as applicable, purchased by the Partner. The General Partners propose to raise capital for each Partnership by offering LP Units and will admit Subscribers for LP Units as Limited Partners in the Partnership at the applicable subscription price. A Limited Partner may participate in multiple subscriptions for LP Units, each closing at a different time, as may be agreed by the appropriate General Partner in accordance with the terms of the Partnership Agreement.

A Capital Account shall be established for each Partner on the books of the Partnerships and such account shall be adjusted as provided for in the Partnership Agreements. This Capital Account shall be credited with such Partner's Capital Contributions and any Net Profits allocated to such Partner pursuant to terms contained in the Partnership Agreements, and shall be debited with any Net Losses allocated to such Partner pursuant to the terms of the Partnership Agreements and the amount of any capital withdrawals or distributions.

Distributions and Allocations

After payment and reservation of all amounts necessary for the payment of all expenses of the Partnerships, as more particularly described in the Partnership Agreements, distributions of all remaining cash or property of the Partnerships (which remaining cash or property are collectively referred to as "**Distributable Cash**") will be made.

Distributable Cash shall be calculated for each Partnership by its General Partner and distributed immediately prior to the Valuation Date of each Valuation Period, such that it is not included in the determination of each Partnership's Net Asset Value for such Valuation Period, as to 0.01% on a pro rata basis to the holders of general partner units to and as to the remaining 99.99% on a pro rata basis to holders of LP Units. For greater clarity, if the amount of Distributable Cash is determined to be nil, the Partnership shall not be obligated to make any distributions of cash to Partners.

Each Partnership's net investment income or loss (i.e., the Partnership's taxable income or loss determined without regard to gains and losses (whether capital or ordinary in nature) from the disposition of investments) for each fiscal year (and all items of income, gain, loss and deduction contained therein) shall be allocated as nearly as practicable among the Partners (including those who have withdrawn during the year) in such manner as to reflect equitably amounts distributions made to each Partner for the fiscal year.

Redemption of LP Units

Redemption Process

A Limited Partner may surrender LP Units for redemption on the last business date of a fiscal quarter, for a Redemption Amount per LP Unit calculated as at the applicable date. The General Partner may, in its discretion, consent to redemptions as of other dates, provided certain conditions set out in the Partnership Agreements are met.

Any Limited Partner electing a complete redemption shall cease to be a Partner as of the applicable Redemption Date while a Limited Partner electing a partial redemption shall continue to be a Partner.

A cash payment shall be made to a redeeming Partner not later than the 30th day following the Redemption Date of the redemption.

Private LP Redemption Notes

If for any Redemption Date, the Private LP General Partner has determined in its sole discretion that the aggregate amount of redemptions for such Redemption Date reflected in the notices received by the Private LP General Partner

(the “**Private LP Aggregate Redemption Amount**”) exceeds 7.5% of the Net Asset Value on such Redemption Date (the “**Redemption Threshold**”) and the Private LP does not have sufficient cash reserves to pay the Private LP Aggregate Redemption Amount, the Private LP Aggregate Redemption Amount payable in respect of the Private LP Units tendered for redemption by each Partner in the applicable Redemption Period shall be paid within 30 days of the Redemption Date by the Private LP (i) making a cash payment of no less than the Private LP Aggregate Redemption Amount payable to each such Partner multiplied by the quotient of the Redemption Threshold over the Private LP Aggregate Redemption Amount; and (ii) issuing a Partnership Redemption Note to each such Partner with a principal amount equal to the balance of the Private LP Aggregate Redemption Amount payable to each such Partner.

If for any Redemption Date, the aggregate amount of redemptions for such Redemption Date reflected in the notices received by the Public LP General Partner (the “**Public LP Aggregate Redemption Amount**”) exceeds the cash reserves of the Public LP because redemptions have been suspended by the Public Fund or, if there is more than one Public Fund, by any Public Fund, the Public LP Aggregate Redemption Amount may be paid in whole or in part through the issuance of Partnership Redemption Notes to the relevant Partners. For greater certainty, the Public LP General Partner will be obliged in all circumstances to pay the full amount of the Public LP Aggregate Redemption Amount to Partners in either cash, Partnership Redemption Notes or a combination thereof.

The General Partner has the discretion to determine the stated interest rate of the Partnership Redemption Notes at the time of issuance. It is expected that Partnership Redemption Notes will be issued at a rate equivalent to the 90-day T-bill rate plus 1% per annum. The General Partner intends to repay the Partnership Redemption Notes in the order issued, subject to the availability of sufficient funds.

Public LP Suspension of Redemptions

The Public LP General Partner may suspend redemptions for any period during which redemptions are suspended by the Public Fund, or, if there is more than one Public Fund.

Conflict of Interest

Competing Interests

Each Partner is entitled, without the consent of the other Partners, to carry on any business of the same nature as, or competing with those activities of, the applicable Partnership, and is not liable to account to the other Partners or the Partnership. See “*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*”.

Independent Directors

All Conflict of Interest Matters involving the Partnerships shall be decided upon by the General Partner thereof, and for greater certainty, by the affirmative vote of all independent members of the board of directors of the General Partner. If the General Partner does not have at least one independent member on its board of directors, it will not be permitted to act upon, or take any actions in connection with, any Conflict of Interest Matter until an independent member is appointed to its board of directors. See “*The Investment Structure – Governance of the Trust and the Partnerships*”, “*The Investment Structure – Relationships between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure*” and “*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*”.

Additional Provisions of the Partnership Agreements

Amendments

Each Partnership Agreement may generally only be amended on the initiative of its General Partner with the consent of the Limited Partners given by Special Resolution. However, no amendment can be made which would have the effect of changing the liability of any Limited Partner, allowing any Limited Partner to participate in the control of the business of the Partnership, or of the Partnership as a group to vote at any meeting or changing the Partnership from a limited partnership to a general partnership.

Each of the General Partners may, without prior notice to or consent from any Limited Partner, amend any provision of the applicable Partnership Agreement from time to time: (i) to change the business of the Partnership provided that such change is determined by the General Partner to not constitute a fundamental change to the business of the Partnership and notice of such change is provided to Limited Partners at least 120 days prior to the effective date of

such change, or such lesser notice period as the General Partner determines to be in the best interests of the limited partners; (ii) for the purpose of adding to the Partnership Agreement any further covenants, restrictions, deletions or provisions which, in the opinion of counsel to the Partnership, are necessary for the protection of the Limited Partners; (iii) to cure any ambiguity or to correct or supplement any provisions contained herein which in the opinion of counsel to the Partnership, may be defective or inconsistent with any other provisions contained in the Partnership Agreement provided that such cure, correction or supplemental provision does not and will not adversely affect the interests of the Limited Partners; (iv) to reduce the length of the Valuation Period of the Partnership, provided that such change does not and will not, in the opinion of the General Partner, acting reasonably in consultation with its financial and legal advisors, adversely affect the interests of the Limited Partners; (v) to create one or more new Classes or series of LP Units and redesignate existing LP Units in connection therewith, provided that such change does not and will not, in the opinion of the General Partner, acting reasonably in consultation with its financial and legal advisors, adversely affect the interests of the Limited Partners; or (vi) to make such other provisions in this regard to matters or questions arising under the Partnership Agreement which, in the opinion of the General Partner, acting reasonably in consultation with its financial and legal advisors, do not and will not adversely affect the interests of holders of any particular class of LP Units, or of the Limited Partners. Following any such amendment, the General Partner shall provide written notification to each Limited Partner.

Meetings of Limited Partners

Except where otherwise provided for in the Partnership Agreements, Limited Partners may not take part in the conduct of the business of the Partnership. Meetings of the Limited Partners will be held only for those purposes listed in the Partnership Agreements.

Meetings of the Limited Partners may be called at any time by the General Partner and shall also be called upon written request of Limited Partners holding in the aggregate not less than 33 1/3% of the outstanding Private or Public LP Units, as the case may be.

The presence in person or by proxy and entitled to vote of one (1) or more Limited Partners holding at least 10% of the Private or Public LP Units, as the case may be, (except for the purposes of passing a Special Resolution to remove the General Partner, in which case such persons must hold at least 50% of the Private or Public LP Units, as the case may be, outstanding and entitled to vote thereon), shall be necessary to constitute a quorum for the transaction of business at any meetings of Limited Partners.

Each Limited Partner shall be entitled to cast one vote for each LP Unit owned by it upon each matter presented for vote at a Public LP or Private LP Limited Partner's meeting, as the case may be. In addition, the General Partner shall be entitled to one vote in respect of each matter presented for vote.

Term and Termination of the Partnerships

The Private LP was formed upon the filing and recording of the Certificate under the Partnership Act and will continue until terminated upon the earlier of the dissolution or termination of the Private LP in accordance with the terms of the Private LP Agreement or March 4, 2036.

The Public LP was formed upon the filing and recording of the Certificate under the Partnership Act and will continue until terminated upon the earlier of the dissolution or termination of the Public LP in accordance with the terms of the Public LP Agreement or March 4, 2036.

Each of the General Partners may at any time terminate and dissolve the applicable Partnership without requiring approval of Limited Partners by giving to each then Limited Partner written notice of its intention to terminate at least 120 days before the date on which the Partnership is to be terminated.

Following the approval of a dissolution by the Partnership by way of a Special Resolution, the General Partner shall act as a receiver and liquidator of the assets of the Partnership and shall dispose of the assets of the Partnership, pay the debts and liabilities of the Partnership, distribute any remaining assets to the Limited Partner and file the notice of dissolution and satisfy all applicable formalities as may be required by law. The Partnership shall terminate when all assets have been sold and the net proceeds therefrom have been distributed.

Power of Attorney

The Limited Partner irrevocably nominates, constitutes and appoints the General Partner, with full power of substitution, as its true and lawful attorney and agent, with full power and authority in the Limited Partner's name, place and stead to execute, under seal or otherwise, swear to, acknowledge, deliver, make, record and file when, as and where required or appropriate, certain necessary documents.

Such power is irrevocable and coupled with an interest and shall survive the death or disability of the Limited Partner and extends to the heirs, executors, administrators, successors and assigns of the Limited Partner. Under the Partnership Agreements, the Limited Partner agrees to be bound by any representation or action made or taken by the General Partner in good faith pursuant to the power of attorney in accordance with the terms thereof and will ratify any and all actions taken by the General Partner pursuant to such power of attorney.

Accounting and Reporting

The General Partner will forward to each Limited Partner within 90 days of the end of each fiscal year of the Partnership, a copy of the annual financial statements of the Partnership and any necessary tax information. Each General Partner will provide each Limited Partner with reports substantially similar to those provided by the Trust to Unitholders; however, such reports of the General Partner will not include audited financial statements or comparative financial statements for the most recently completed fiscal year. See "*Reporting Obligations*".

The General Partner will keep appropriate books and records with respect to the Partnership's business reflecting the assets, liabilities, income and expenditures of each Partnership and register listing all Limited Partners and the LP Units held by such Limited Partners.

SUMMARY OF OTHER MATERIAL AGREEMENTS

The following is a summary of the material terms of the other material agreements in respect of the Trust. The respective summaries are not complete and are qualified in their entirety by the complete terms and conditions of the respective material agreements. Investors are encouraged to read the material agreements in their entirety, which are available upon request by contacting the Trustee or may be available on the Trust's website (which may be a password protected and only available to Unitholders).

Management Agreement

The Trust, the Trustee, Pinnacle, the Partnerships and the General Partners have entered into a Management Agreement dated April 5, 2016, under which Pinnacle, as the Manager, has agreed to be responsible for the management and general administration of the affairs of the Trust and the Partnerships, including specific services enumerated in the Management Agreement.

Pursuant to this agreement, the Manager has represented and warranted that its services shall be performed in accordance with standards generally accepted in the industry and shall render such services honestly, in good faith and in the best interests of the Trust, the Partnerships, the Trustee and the General Partners.

The Manager will receive a fee of \$1.00 per annum in consideration of its services under the Management Agreement.

The Management Agreement shall remain in full force until the termination of the Trust and the Partnerships. The Management Agreement may terminate earlier upon 90 days' written notice by any party to the agreement if: (i) the other party breaches any provision in the Management Agreement and such breach is not remedied within 15 days after notice of such breach has been given to the other party; or (ii) the other party becomes insolvent or commences any proceedings or any proceedings are commenced against it under any bankruptcy or insolvency legislation.

The foregoing is a summary only and is subject to the complete terms and conditions of the Management Agreement.

Portfolio Management Agreement

The Trust, the Trustee, the Manager, the Partnerships and the General Partners have entered into the Portfolio Management Agreement dated April 5, 2016. Pursuant to the Portfolio Management Agreement, Pinnacle was appointed as portfolio manager to the Trust and the Partnerships by the Trustee and the General Partners. Pinnacle

performs certain services on behalf of the Trustee and the General Partners relating to the administration and management of the Trust and the Partnerships pursuant to the Portfolio Management Agreement.

In consideration of Pinnacle acting as the portfolio manager, the Partnerships, in accordance with the Expense Payment Agreement, will pay Pinnacle a Management Fee and Performance Fee. See “*Compensation and Fees Paid to the Manager*” for information about such fees.

The Management Agreement shall continue until (i) the later of the Trust termination date and any Partnership termination date; or (ii) such other date as mutually agreed upon by the parties to the agreement. The Management Agreement may be terminated by any party in the event of any breach or default of any provision in the agreement, where the occurrence is not remedied to the satisfaction of the non-defaulting party within 30 days after notice of such occurrence has been given. The Management Agreement shall automatically terminate on the occurrence of any of the following events: (i) any of the Trust or the Partnerships are terminated, wound-up or dissolved; (ii) if any of the parties to the agreement becomes insolvent or makes an assignment for the benefit of creditors, or is declared bankrupt, or makes a proposal to creditors or otherwise ceases to exist or carry on business in the ordinary course; or (iii) if any of the licenses or registrations necessary for the Manager to perform its obligations under the agreement are no longer in force or effect.

The Manager shall provide Trust, Private LP and Public LP reports to each of the Unitholders, the Private LP’s Limited Partners and the Public LP Limited Partners, respectively, within the timeframes and containing the information outlined in the Management Agreement.

The Manager will act at all times on a basis which is fair and reasonable to the Trust and the Partnerships, exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust, the Partnerships, the Trustee, the General Partners and the Limited Partners and will exercise the degree of care, diligence and skill of a reasonably prudent and qualified portfolio manager in comparable circumstances. The Manager will at all times maintain confidentiality of financial and other information and data that it may obtain through or on behalf of the Trust or Partnerships.

The foregoing is a summary only and is subject to the complete terms and conditions of the Portfolio Management Agreement.

Distribution Agreement

Pursuant to the Distribution Agreement, the Trust has appointed Pinnacle as the principal Selling Agent in connection with the Offering in all provinces of Canada except Prince Edward Island. Pinnacle will use its reasonable efforts to successfully market and attract purchasers of the Trust Units through its network of dealing representatives and/or sub-agents. See “*Summary of the Trust Indenture – Units*”.

In consideration of Pinnacle providing such services, the Trust will pay Pinnacle a Trailer Fee and a Dealer Fee (see “*Compensation Paid to Sellers and Finders*”). Additionally, the Trust will pay Pinnacle certain ongoing marketing and due diligence fees which will be paid to Pinnacle as a reimbursement pursuant to the Expense Payment Agreement.

To support Pinnacle’s dealing representatives, the Trust will provide ongoing product knowledge, copies of all offering documents, and access to the Trust’s management team. The Trust also agrees to cooperate in connection with a semi-annual due diligence review and provide Pinnacle with copies of audited annual financial statements and any other documentation as reasonably requested.

During the term of the Distribution Agreement, Pinnacle must remain a properly registered exempt market dealer under Securities Laws, and its dealing representatives must also be in good standing as representatives of Pinnacle. Similarly, the Trust must remain in good standing and comply with all applicable corporate and securities laws. The Distribution Agreement also contains provisions relating to confidentiality, non-solicitation, use of trademarks, and indemnification.

Either the Trust or Pinnacle may terminate the Distribution Agreement at any time with 24 hours written notice to the other.

In certain circumstances described in Schedule “B” of this Offering Memorandum, the Management Fee and Trailer Fee will be reduced as part of the Investor Alignment Program, as referenced under “*The Investment Structure –*

Investor Alignment Program” and as described in detail in *Schedule “B”* attached to this Offering Memorandum. See also *“Compensation Paid to Sellers and Finders”* and *“Compensation and Fees Paid to the Manager”*.

Waratah Fund Agreement

The Manager has entered into the Waratah Fund Agreement with Waratah in connection with Public LP’s contemplated purchases of Waratah Units in connection with the Offering. See *“The Public Portfolio – Waratah Fund Agreement”*.

Expense Payment Agreement

The Trustee, on behalf of the Trust, the Manager and the General Partners on behalf of their respective Partnerships, have entered into the Expense Payment Agreement.

The Expense Payment Agreement provides, among other things, that: (a) the Partnerships will pay their own direct and indirect costs and expenses, and those of the Trust and the Manager, for direct and indirect costs and expenses incurred by the Trustee and the Manager, on behalf of the Trust, which shall be allocated to the Partnerships in accordance with Pinnacle’s Expense Allocation Policy, which requires the boards of each of the Trustee and the General Partners to authorize such costs and expenses which includes the unanimous approval of the Independent directors of the Trustee and the General Partners; (b) the Trust will pay the Offering Costs Fee to Pinnacle until Pinnacle is fully reimbursed for the Offering Costs. The Offering Costs Fee will be deducted from the gross proceeds of the Offering at each closing and will provide incremental reimbursement to Pinnacle as the Offering progresses. Pinnacle bears the risk that the Offering Costs will not be fully reimbursed if the Offering does not generate sufficient gross proceeds; and (c) the Wholesaler Fee may be payable from the gross proceeds of the Offering or as an ongoing trailer fee charged to the Trust and payable by the Partnerships in accordance with Pinnacle’s Expense Allocation Policy authorized by the boards of each of the Trustee and the General Partners, which includes the unanimous approval of the independent directors of the Trustee and the General Partners.

The Partnerships are paying for such ongoing fees and expenses of the Trust since there is no income or cash reserves held at the Trust level itself, and the Trust solely invests in limited partnership units of the Partnerships.

Pinnacle’s Expense Allocation Policy prescribes the principles by which Pinnacle allocates expenses to the Trust and the Partnerships. Pinnacle, as the Manager, must ensure that: (a) the expenses are allocated to the Trust and the Partnerships in an accurate and appropriate manner; and (b) the Trust and the Partnerships and their clients are not adversely affected by the allocation of expenses and that the interests of the Manager, or a person or entity related to the Manager, are not favoured over those of the Trust and the Partnership. The Manager is of the view that such allocation matters are a Conflict of Interest Matter under the Manager’s Conflicts of Interest Policy and therefore, any such allocation decisions require, among other things, an authorization via a standing order authorized by all of the independent directors of the Trustee and the General Partners.

Distribution Reinvestment Plan

The Trust has adopted a distribution reinvestment plan (“**DRIP**”) that will allow eligible Unitholders to elect to have their monthly cash distributions reinvested in additional Units of the same class on the distribution payment date at a purchase price equal to the NAV per Unit on the relevant date. All Unitholders who are residents of Canada for the purposes of the Tax Act, and in certain circumstances non-residents of Canada, are entitled to enrol in the DRIP. Unitholders who do not enrol in the DRIP will receive their regular cash distributions. The Trust will determine for each distribution payment date the amount of new equity, if any, which will be made available under the DRIP on that date. No assurances can be made that new Units will be made available under the DRIP on a regular basis, or at all. Accordingly, participation may be prorated in certain circumstances. **In the event of proration, or if for any other reason all or a portion of the distributions cannot be reinvested under the DRIP, Unitholders enrolled in the DRIP will receive their regular cash distributions.**

Units issued pursuant to the DRIP will be subject to the same ongoing fees that the corresponding Units enrolled in the DRIP are subject to (see *“Compensation Paid to Sellers and Finders”* and *“Compensation Paid to the Manager”*). Beneficial owners of Units who enrol in the DRIP through a nominee may also be subject to fees imposed under the terms governing their relationship with the nominee. All administrative costs of the DRIP, including the fees and expenses of the DRIP’s administrator, will be paid by the Trust. Within 30 calendar days following the end of each calendar quarter, the Trust will provide a quarterly statement to each DRIP participant either electronically or by mail.

These statements are such participant's continuing record of purchases of Units made for their account under the DRIP and should be retained for income tax purposes.

A DRIP participant may voluntarily terminate participation in the DRIP by delivering to the DRIP plan administrator a written notice signed by such participant stating that such participant wishes to withdraw its participation in the DRIP. Participation in the DRIP does not relieve Unitholders of any liability for any income or other taxes that may be payable on or in respect of the distributions that are reinvested for their account under the DRIP.

INTERESTS OF DIRECTORS, MANAGEMENT AND PRINCIPAL HOLDERS

Compensation and Securities Held

The following table provides information about each director and officer of the Trustee.

Compensation paid by Issuer to Related Parties				
Name and Municipality of Principal Residence	Position Held	Most Recently Completed Financial Year (2016)	Anticipated for Current Financial Year	Units Held on December 1, 2017 ⁽³⁾
Darvin Zurfluh Calgary, Alberta	Chief Executive Officer and Chairman	Nil ^{(1) (2)}	Nil ^{(1) (2)}	Nil
Brian Koscak Calgary, Alberta	President, Director and Secretary	Nil ⁽¹⁾	Nil ^{(1) (3)}	Nil
Wesley Mills Toronto, Ontario	Vice-President and Director (former)	Nil ⁽¹⁾	Nil ^{(1) (3)}	Nil ²⁷
Jonathan Aikman Toronto, Ontario	Vice President and Director,	Nil ⁽¹⁾	Nil ⁽¹⁾	Nil
Lloyd McDonald Calgary, Alberta	Vice President and Director	Nil ⁽¹⁾	Nil ⁽¹⁾	Nil
Duriya Patel Toronto, Ontario	Director (Independent)	\$9,000 plus applicable HST ⁽¹⁾	\$12,000 plus applicable HST ⁽⁴⁾	Nil
Gary Doran Calgary, Alberta	Director (Independent)	\$9,000 plus applicable GST ⁽¹⁾	\$12,000 plus applicable GST ⁽⁴⁾	Nil

Notes:

- (1) The listed individuals are officers and/or directors of the Trustee and of the General Partners. Except as provided in Note 4, these individuals are not compensated separately for the services provided by them to the Trust or the Partnerships. Each such individual is compensated by the Manager (again, except as provided in Note 4).
- (2) The Trustee and the General Partners are wholly owned subsidiaries of Pinnacle (*i.e.*, the Manager). Darvin Zurfluh is the principal shareholder of Pinnacle. The Manager is entitled to the Management Fee and Performance Fee. The General Partners are entitled to the payment of fees and expenses by the Partnerships. The Trustee, General Partners and Manager shall have priority over distributions to holders of Units in respect of amounts payable or reimbursable to them. See also, "*The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure*", "*The Investment Structure – Conflict of Interest Policy*" and "*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*".
- (3) This listed individual may also receive compensation for providing certain legal services to the Manager for the benefit of the Trust and/or the Partnerships, which services will be paid in accordance with the Expense Payment Agreement. See "*Summary of Partnership Agreements – Expenses of the Partnerships*".
- (4) Only the Independent directors are paid for their services plus HST (or GST), expenses and disbursements, respectively.

Management Experience

²⁷ The Units held by Wesley Mills were fully redeemed on November 1, 2017 and paid out thereafter. Mr. Mills has resigned as a director effective in October 2017.

The names, , offices held, and principal occupations of the directors, and officers of the Trustee for the past 5 years are as follows above and below:

Darvin Zurfluh, FCSI, FMA, CFP, RFC, Calgary, Alberta - Mr. Zurfluh is the Founder, Chief Executive Officer and Chairman of Pinnacle Wealth Brokers Inc. Mr. Zurfluh is the Ultimate Designated Person and member of Pinnacle's Executive Compliance Committee. Mr. Zurfluh started his career in the investment industry in 1997 by focusing on investments, loans and mutual funds. In 2000, he obtained his life and disability licenses to offer full service financial planning to investors, where he later became a leading Canadian senior financial producer of a large insurance company between 2001 and 2004. Mr. Zurfluh is a pioneer in the exempt market industry having developed the first larger scale exempt market distribution channel in Western Canada by establishing Alberta Land & Investment Brokers Inc. ("ALIB") in 2006. With intentions to grow outside of Alberta, Mr. Zurfluh founded Pinnacle in 2009 when market intermediaries were required to be registered as a result of changes to Canadian securities laws. Mr. Zurfluh earned his Financial Management Advisor (FMA) designation in 2003 and became a Fellow of the Canadian Securities Institute (FCSI) in 2004. Darvin also obtained his Certified Financial Planner (CFP) designation in 2000 through the Financial Planners Standards Council and Registered Financial Consultant (RFC) designation from the International Association of Registered Financial Consultants in 2010. Mr. Zurfluh was a Founding Director of the National Exempt Market Association of Canada and a Director of the Pinnacle 20/20 Foundation, a registered charity in Canada. Pinnacle donates 2.5% of its net profits annually to the Pinnacle 20/20 Foundation.

Brian Koscak, B.A. (Hon.), M.A. (Judicial Administration), CIP, J.D., LL.B. and LL.M. (Securities), Calgary, Alberta – Mr. Koscak has been the President, General Counsel, director, and member of Pinnacle's Executive Compliance Committee since July 2015 and was most recently appointed as Pinnacle's Chief Compliance Officer in January 2017. Mr. Koscak is licensed to practice law in the Provinces of Alberta and Ontario. Prior to July 2015, Mr. Koscak was a Partner at the law firm of Cassels Brock & Blackwell LLP located in Toronto, Ontario specializing in corporate and securities law with an emphasis on private and public corporate financing transactions, investment funds and securities regulatory compliance matters. Mr. Koscak has been a member of the Ontario Securities Commission's Exempt Market Advisory Committee since September 2012 and is the current Vice Chair (and former Chair) of the Private Capital Markets Association of Canada. Mr. Koscak obtained his Bachelor of Arts (Honours) in 1987 and Master of Arts (Judicial Administration) in 1988 from Brock University, his LL.B. in 1997 from the University of Windsor Faculty of Law, his J.D. in 1997 from the University of Detroit Mercy School of Law and his LL.M. (Securities) in 2005 from Osgoode Hall Law School. Mr. Koscak also obtained his Chartered Insurance Professional Designation in 1994. In the early 1990s, Mr. Koscak was licensed as a life insurance and accident & sickness insurance agent and licensed as a registered insurance broker of Ontario and worked in various capacities at a large insurance brokerage firm located in Toronto, Ontario.

Jonathan Aikman, B.A. (Hon), M.A., LL.B, M.B.A., CIM, Toronto, Ontario – Mr. Aikman became the Chief Investment Officer of Pinnacle in October 2017 and is a member of Pinnacle's Executive Compliance Committee and Product Review Committee. Mr. Aikman is also the Advising Representative for the Pinnacle Absolute Return Trust, the Private LP and the Public LP. Mr. Aikman has received the Chartered Investment Manager designation and he holds an MBA from the University of Oxford. He is also a qualified lawyer in Ontario, a member of the Law Society of England and Wales and the New York State and American Bar Association. Mr. Aikman is a lecturer in finance at the University of Toronto and Queen's University, teaching graduate courses on Alternative Investments, Hedge Funds and Broker-Dealers, Derivatives, Options, and Artificial Intelligence in Finance. Previously, Mr. Aikman was a Managing Director for an alternative investment firm in Toronto, a lawyer with a leading international law firm and his own firm. He was VP and Counsel for a bulge bracket bank in London, UK during the Global Financial Crisis. He is also the author of a book on alternative investments titled "*When Prime Brokers Fail*", published by Bloomberg Press/John Wiley. Mr. Aikman is an ad hoc member of the Victoria College Investment Committee for the pension and endowment. Also, Mr. Aikman was part of a working group of leading academics, investment managers, financial institutions, and government entities at the Federal Reserve of Chicago that examined issues of financial stability and systemic risk.

Additionally, Mr. Aikman has more than 17 years' experience as an investment and legal professional in finance, equities, fixed income, derivatives, portfolio management and asset allocation in both traditional and alternative asset classes globally.

Lloyd McDonald, Calgary, Alberta – Mr. McDonald has been the Vice President of Business Development of Pinnacle and since 2010, has been a member of Pinnacle's Product Review Committee that approves new investment opportunities for Pinnacle. In his role as Vice President, Mr. McDonald is responsible for recruiting and training new

dealing representatives who become and are registered with Pinnacle. Prior to Pinnacle, Mr. McDonald was the Vice President of Sales and Business Development for Fast Track Capital from May 2007 to July 2010. During that time, Mr. McDonald was responsible for engaging new business and investment opportunities, performing due diligence and ensuring chosen projects attain their required funding. Additionally, Mr. McDonald has a broad background in many aspects of business development and business analysis. Mr. McDonald was the Manager of Strategic Alliances for Canada, the United States, and the United Kingdom for Ceridian Canada Ltd., one of Canada's 50 Best Managed Companies, from April 1997 to May 2007. Mr. McDonald aligned and strategized the deployment of sales and customer service initiatives internationally. In addition, Mr. McDonald was a key member of a team that managed relationships with established new business development initiatives with clients such as: HSBC, CIBC, TD Canada Trust and ATB Financial. Mr. McDonald's areas of expertise include managing business-to-business relationships, business analysis, business/marketing plan creation, as well as strategic planning and execution.

Duriya Patel, B.Sc., LL.B., Toronto, Ontario – Mrs. Patel has over 25 years of experience as a corporate and securities lawyer and as a senior executive in the financial services and construction industries. For over 11 years, Ms. Patel was Vice President, General Counsel and Secretary of Jovian Capital Corporation, a TSX listed company that created, acquired and grew financial services companies and was recently acquired by Industrial Alliance Insurance & Financial Services Inc. Ms. Patel was a member of the executive management team responsible for management and strategic direction of the Jovian Group of Companies. Ms. Patel also led the legal team and oversaw all of the legal affairs of the Jovian Group. Ms. Patel's principal areas of focus at Jovian were regulatory compliance, governance, commercial negotiations, mergers and acquisitions, employment matters, and providing strategic advice to the management teams and boards of directors of the Jovian Group of Companies, which included several companies registered under securities legislation in Canada and the United States. Prior to joining Jovian, Ms. Patel was in private practice, where she gained extensive experience as corporate counsel to a wide variety of companies. Ms. Patel has been a Director and President of Dali Homes Inc. for the past 18 years, a development and construction management company. Ms. Patel also serves as a member of the Board of Directors of The York School, a not-for-profit independent International Baccalaureate school where she was the former chair of the Governance Committee and is the current chair of the Risk Committee. Ms. Patel holds a Bachelor of Science and a Bachelor of Laws, both from the University of Toronto, and is called to the bars in Ontario and New York.

Gary Doran, CPA, CGA, Calgary, Alberta – Since October 1, 2014, Mr. Doran has been the Managing Partner of the Calgary office of Bergeron & Co., Chartered Professional Accountants, a Calgary based accounting firm providing bilingual accounting services and products to small and medium-sized businesses, non-for-profit organizations and individuals. He is also President of Syndicated Wealth Management GP Ltd. that manages a limited partnership that invests in commercial properties and small to medium-sized enterprises throughout Alberta. In addition, Mr. Doran sits as a director of Clear Sky Carwash GP I, Inc., an Arizona corporation and a Trustee for Clear Sky Capital Income Portfolio Fund – Series I and Clear Sky Income Portfolio Fund – Series II.

Prior to joining Bergeron & Co., Mr. Doran was the Chief Financial Officer of Pinnacle Wealth Brokers Inc., an exempt market dealer, from July 2013 to September 2014. Mr. Doran's responsibilities at Pinnacle included oversight of internal controls, acting as a member of Pinnacle's Product Approval Committee and issuer relations.

Between January 2002 and June 2013, Mr. Doran was a partner with the public accounting firm, Sylvain and Doran, CGA. Mr. Doran's experience with that firm included (a) audit, review, and compilation engagements for municipal districts, towns, villages, school divisions, various companies in the farming industry, oil and gas, forestry, retail, and non-for-profit organizations; (b) corporate taxes; (c) personal taxes; and (d) corporate consulting.

Mr. Doran obtained a broad range of business knowledge during his tenures at Pinnacle Wealth Brokers Inc. and Bergeron & Co. In addition, Mr. Doran's experience as a Trustee for the High Prairie School Division between October 2007 and October 2012 gave him the opportunity to expand his skills in the areas of strategic planning, governance, negotiations and teamwork. Between 1983 and 2003, Mr. Doran also owned and managed one of Canada's largest certified organic grain farms. Mr. Doran obtained his professional accounting designation in June 1997.

Penalties, Sanctions and Bankruptcy

No director, executive officer or control person of the Trustee, the Trust or Pinnacle has been a director, executive officer or control person of any issuer (including the Trust) that, while such person was acting in that capacity, was subject to any penalty or sanction or cease trade order or any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with

creditors or appointment of a receiver or trustee to hold assets, that has been in effect during the last 10 years, whether currently in effect or not.

Interest of Management and Others in Material Transactions

The Trustee, Pinnacle and other partnerships or corporations managed by the directors, officers, employees, subcontractors and consultants of Pinnacle or in which the directors, officers, employees, subcontractors and consultants of Pinnacle play a role (directly or indirectly) may own securities of certain entities in which the Trust is considering investing. In addition, certain directors, officers and consultants of Pinnacle and Manager may be or may become directors of certain entities in which the Trust invests. In addition, Pinnacle is entitled to certain fees and interests relating to the operations of the Trust, as more particularly disclosed herein.

CAPITAL STRUCTURE

Trust's Capital

The following table sets out the capitalization of the Trust as at October 31, 2017, both before and after giving effect to the Offering.

Description of Units by Class and series		Number Authorized to be Issued	Number Outstanding as at October 31, 2017	Price per Security as at October 31, 2017
Class I	series A	Unlimited	849,960	\$9.8228
	series B	Unlimited	89,924	\$9.8487
	series F	Unlimited	0	n/a
Class II	series A	Unlimited	421,039	\$8.8656
	series B	Unlimited	40,252	\$8.5900
	series F	Unlimited	0	n/a
Class III	series A	Unlimited	0	n/a
	series B	Unlimited	141,501	\$9.9478
	series F	Unlimited	0	n/a
	series S	Unlimited	0	n/a

Notes:

- (1) The Trust is concurrently offering Class I Units, Class II Units and Class III Units, each issuable in series. The number in each row of the final two columns of this chart assumes that the Maximum Offering is achieved through the sale of just that series and Class of Units. Actual results of the Offering will differ.

Long-Term Debt

The Trust does not have any long-term debt as of the date of this Offering Memorandum.

Prior Sales

Since inception of the Trust, the following Units have been issued:

Date of issuance	Type of security issued	Number of securities issued	Price per security (\$)	Total Funds received (\$)
04-Jul-16	Class I Trust Unit, series A	167,796.5000	\$10.0000	\$1,677,965.00
04-Jul-16	Class II Trust Unit, series A	75,727.9000	\$10.0000	\$757,279.00
04-Jul-16	Class III Trust Unit, series B	35,000.0000	\$10.0000	\$350,000.00
02-Aug-16	Class I Trust Unit, series A	63,783.3819	\$9.9493	\$634,600.00
02-Aug-16	Class II Trust Unit, series A	36,637.0793	\$10.3761	\$380,150.00
02-Aug-16	Class III Trust Unit, series B	131,346.2996	\$9.8975	\$1,300,000.00
01-Sep-16	Class I Trust Unit, series A	98,572.6229	\$9.9343	\$979,250.00
01-Sep-16	Class I Trust Unit, series B	25,000.0000	\$10.0000	\$250,000.00
01-Sep-16	Class II Trust Unit, series A	16,617.0020	\$10.6246	\$176,549.00
03-Oct-16	Class I Trust Unit, series A	63,243.2264	\$9.8957	\$625,836.00
03-Oct-16	Class I Trust Unit, series B	52,489.7292	\$9.9067	\$520,000.00
03-Oct-16	Class II Trust Unit, series A	28,445.7824	\$10.4966	\$298,584.00
01-Nov-16	Class I Trust Unit, series A	101,413.7666	\$9.8814	\$1,002,110.00
01-Nov-16	Class I Trust Unit, series B	10,107.2378	\$9.8939	\$100,000.00
01-Nov-16	Class II Trust Unit, series A	58,029.4151	\$10.3756	\$602,090.00
01-Nov-16	Class II Trust Unit, series B	40,000.0000	\$10.0000	\$400,000.00
01-Nov-16	Class III Trust Unit, series B	15,288.8055	\$9.8111	\$150,000.00
01-Dec-16	Class I Trust Unit, series A	92,565.4077	\$9.8460	\$911,399.00
01-Dec-16	Class II Trust Unit, series A	40,002.5850	\$10.0600	\$402,426.00
03-Jan-17	Class I Trust Unit, series A	126,882.2746	\$9.8806	\$1,253,673.00
03-Jan-17	Class II Trust Unit, series A	41,013.7860	\$10.1698	\$417,102.00
01-Feb-17	Class I Trust Unit, series A	65,825.4256	\$9.8537	\$648,624.00
01-Feb-17	Class II Trust Unit, series A	34,207.7245	\$9.8621	\$337,360.00
01-Mar-17	Class I Trust Unit, series A	70,344.7360	\$9.8104	\$690,110.00
01-Mar-17	Class II Trust Unit, series A	38,155.2913	\$9.4519	\$360,640.00
03-Apr-17	Class I Trust Unit, series A	91,116.9237	\$9.8261	\$895,324.00
03-Apr-17	Class II Trust Unit, series A	19,585.6140	\$9.5177	\$186,410.00
01-May-17	Class I Trust Unit, series A	107,030.1562	\$9.8022	\$1,049,131.00
01-May-17	Class I Trust Unit, series B	25,460.0633	\$9.8193	\$250,000.00
01-May-17	Class II Trust Unit, series A	44,368.8412	\$9.2148	\$408,850.00
01-Nov-17	Class III Trust Unit, series B	53,278.1118	\$9.9478	\$530,000.00

The Units listed above were issued through capital raises and do not reflect any issuance of Units pursuant to the DRIP.

UNITS OFFERED

The Investment

The securities being offered pursuant to this Offering Memorandum are Class I Units, Class II Units and Class III Units of the Trust, each issuable in series. There shall be no limit on the number of Classes or series or, except as designated in the rights, restrictions and conditions of that class or series, or on the number of any Units in any class or series. Each Unit shall entitle the holder thereof to receive notice of, attend at, and cast one vote at a meeting of the Unitholders in respect of any vote upon which the applicable Class or series of Units is entitled to vote, or to execute any written Ordinary Resolution or Special Resolution of the applicable Class or series of Trust. Each Unit of the same series will represent an equal undivided interest in the applicable Series Asset Pool. The Units shall not be listed or traded on a stock exchange or a public market.

The Net Proceeds raised pursuant to the issuance of Units of a particular series on a Valuation Date shall initially comprise the Series Asset Pool of such series. The Trustee shall, as soon as practicable following the receipt of such proceeds, purchase LP Units.

Class or series attributes of the Units may be amended from time to time in accordance with provisions contained in the Trust Indenture.

Capital Contribution

In connection with the subscription of the Units under this Offering, each Unitholder will contribute to the capital of the Trust the purchase price per Unit for each Unit subscribed for. No Unitholder will be required to make any contribution to the capital of the Trust in excess of that amount.

Distributions

The Trustee may, and is required to in certain circumstances, declare to be payable and make distributions to Unitholders. See “*Distributions*”.

Distribution Reinvestment Plan

The Trust has adopted a distribution reinvestment plan or DRIP that will allow eligible Unitholders to elect to have their monthly cash distribution reinvested in additional Units of the same Class and series. See “*Material Agreements – Distribution Reinvestment Plan*”.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Miller Thomson LLP, counsel to the Trust, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to the Offering. This summary is applicable to a Unitholder who, for purposes of the Tax Act, is or deemed to be resident in Canada, deals at arm's length and is not affiliated with the Trust and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold such Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to have such Units, and all other “Canadian securities” (as defined in the Tax Act) owed by them in the taxation year of the election and any subsequent taxation year, deemed to be capital property.

This summary is based on the terms of the Offering, a certificate of the Trustee, the current provisions of the Tax Act, the Tax Proposals and counsel's understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. This summary assumes that, except for the July 18 Tax Proposals (as defined below), the Tax Proposals will be enacted as currently proposed, although no assurance can be given that such proposals will be enacted in that form or at all. Except for the Tax Proposals, this summary

does not take into account or anticipate any changes in law or administrative policy and assessing practice of the CRA, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations, which may differ materially from those described herein.

On July 18, 2017, the Minister of Finance (Canada) released for consultation a discussion paper seeking input on possible approaches to address certain perceived tax advantages of investing passively through a private corporation (the “**July 18 Tax Proposals**”). Although this discussion paper did not include specific amendments to the Tax Act in relation to this particular issue, it outlined potential alternatives for amending the Tax Act’s current system of corporate taxation. This summary does not address the potential implications of the July 18 Tax Proposals. Unitholders should consult their tax advisors with respect to the implication of the July 18 Tax Proposals as they relate to the acquisition and holding of Units.

This summary is not applicable to a Unitholder: (a) that is a “financial institution” or “specified financial institution” (as defined in the Tax Act); (b) that is a trust or partnership; (c) an interest in which would be a “tax shelter investment” or a “synthetic disposition arrangement” (as those terms are defined in the Tax Act); (d) that has made a “functional currency” reporting election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; (e) that has or will enter into a “derivative forward agreement” (as defined in the Tax Act) with respect to Units; (f) that is a Non-Resident; or (g) that is exempt from tax under Part I of the Tax Act. Such Unitholders should consult their own tax advisors with respect to the matters discussed herein. In addition, this summary does not address the deductibility of interest by a Unitholder who has borrowed money to acquire Units under the Offering.

This summary also assumes that neither the Units nor any other “investments” in the Trust or a Partnership will be listed or traded at any time on a stock exchange or other public market, such that the Trust and each Partnership will not be a “SIFT trust” nor a “SIFT partnership” respectively, as defined in the Tax Act. For these purposes, an “investment” would include an interest in or debt issued by the Trust or a Partnership as well as any right that may reasonably be considered to replicate a return on, or the value of, any such interest or debt. A stock exchange or other public market includes a trading system or other organized facility on which securities that are qualified for public distribution are listed or traded but does not include a facility that is operated solely to carry out the issuance of a security or its redemption, acquisition or cancellation by the issuer. None of the Units or the LP Units will be listed or traded on a stock exchange, and the Trustee does not anticipate that the Units or the LP Units will trade on a trading system or other organized facility on which securities are listed or traded. In the event that the Trust was considered to be a SIFT trust, or a Partnership was considered to be a SIFT partnership, the tax consequences described below may be materially different.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income tax and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the Unitholder, the province or provinces in which the Unitholder resides or carries on business and, generally, the Unitholder’s own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular Unitholder. Unitholders should consult their own tax advisors with respect to the income tax and other tax consequences of the Offering and an investment in Units, based upon such Unitholder’s particular circumstances.

Eligibility for Registered Plans

In order for the Trust to qualify as a “mutual fund trust”, and hence the Units be a qualified investment for Registered Plans, the Trust must have at least 150 Unitholders of a class, each of whom holds a block of Units of such class with an aggregate fair market value of not less than CD\$500, in addition to satisfying certain additional requirements under the Tax Act. Based on a certificate provided by the Trustee to counsel as of the date of this Offering Memorandum, the Trust has more than 150 Unitholders of a class, each holding a block of Units of such class with an aggregate fair market value of not less than CD\$500 and the Trust otherwise satisfies the requirements under the Tax Act in order for it to qualify as a “mutual fund trust” thereunder as at the date of this Offering Memorandum.

There can be no assurance that the Trust will continue to have at least 150 Unitholders of any class, each holding a block of Units of such class with an aggregate fair market value of not less than CD\$500 at all times.

Based on certain provisions of the Tax Act, provided that the Trust at all times qualifies as a “mutual fund trust” as defined in the Tax Act, the Units will be a qualified investment for Registered Plans.

However, a holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, that holds Units, will be subject to a penalty tax if such Units are a “prohibited investment” (as defined in the Tax Act) for the TFSA, RRSP or RRIF. A Unit will not be a “prohibited investment” if the holder of the TFSA (or the annuitant under an RRSP or RRIF) deals at arm’s length with the Trust for the purposes of the Tax Act and the holder of the TFSA (or the annuitant under an RRSP or RRIF) does not have a “significant interest” (as defined in the Tax Act for purposes of the prohibited investment rules) in the Trust. A person would have a significant interest in the Trust where the person, together with non-arm’s length persons, holds Units that have a fair market value of 10% or more of the of all Units of the Trust. On March 22, 2017, the Minister of Finance (Canada) announced Tax Proposals to extend the prohibited investment rules, and corresponding provisions, to holders of RDSPs and subscribers of RESPs. These Tax Proposals are reflected in draft legislation released on September 8, 2017, and are intended to apply after March 22, 2017. Unitholders who intend to hold Units in such Registered Plans should consult their own tax advisers regarding the application of the “prohibited investment” rules have in regard to their particular circumstances

Any Trust Redemption Notes which may be delivered to Unitholders on a redemption of Units will not be qualified investments for Registered Plans. Accordingly, Registered Plans that own Units should consult their own tax advisors prior to exercising redemption rights.

Status of the Trust

This summary is based on the assumption that the Trust will at all relevant times qualify as a “mutual fund trust” (as defined in the Tax Act), that the Trust has not been established and will not be maintained primarily for the benefit of Non-Residents, and that not more than 50% (based on fair market value) of the Units will be held by Non-Residents.

Restrictions on the ownership of Units contained in the Trust Indenture are intended to limit the number of Units held by Non-Residents such that Non-Residents may not own Units representing more than 49% of the fair market value of all Units.

Generally, to qualify as a mutual fund trust: (i) the Trust must be a Canadian resident “unit trust” for the purposes of the Tax Act; (ii) the only undertaking of the Trust must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or right in immovables) that is capital property of the Trust, or (c) any combination of the activities described in (a) and (b); and (iii) the Trust must comply with certain minimum requirements respecting the ownership and dispersal of Units. It is intended that all requirements necessary for the Trust to qualify as a “mutual fund trust” will be met and continue to be met. The Trustee has advised counsel that the Trust meets the requirements necessary for it to qualify as a mutual fund trust and intends to continue to so qualify.

If the Trust were not to qualify as a mutual fund trust at all times, the income tax considerations described herein would, in some respects, be materially and adversely different.

Taxation of the Trust

The taxation year of the Trust is the calendar year. Generally, the Tax Act requires the Trust to calculate its income or loss for a taxation year as though it were an individual resident in Canada. The Trust will be subject to tax in each taxation year under Part I of the Tax Act on its income for the year, including net realized capital gains and all interest that accrues to it to the end of the year, or 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 taxation year. The income of the Trust will include its share of the income of the Partnerships, for each fiscal year of a Partnership ending on or before the year-end of the Trust, whether or not a distribution is received. The Trust generally will not be subject to tax on the receipt of distributions from a Partnership in respect of its interest in the Partnership (provided that the amount received does not exceed the adjusted cost base of such interest). In general, the adjusted cost base of the Trust’s interest in a Partnership will be equal to its cost to the Trust plus its share of the income and capital gains of the relevant Partnership allocated to the Trust for fiscal years of the Partnership ending before the particular time less the Trust’s share of losses and capital losses (if any) of the Partnership allocated to the Trust for fiscal years of the relevant Partnership ending before the particular time, and less the Trust’s share of any distributions received from the relevant Partnership before the particular time. If the adjusted cost base to the Trust of its interest in a Partnership would otherwise be less than zero at the end of the fiscal year of the relevant Partnership, the negative amount is deemed to be a capital gain realized by the Trust and the Trust’s adjusted cost base of its interest in the relevant

Partnership is increased by the amount of such deemed capital gain to zero. If a Partnership were to incur losses for tax purposes, the Trust's ability to deduct such losses may be limited by certain rules under the Tax Act.

The Trust will be entitled to deduct amounts paid or payable to Unitholders in the year. An amount will be considered payable to a Unitholder in a taxation year only if it is paid by the Trust in the year or the Unitholder is entitled in the year to enforce payment of the amount. The Trust also may deduct reasonable administrative and other expenses that are incurred to earn income. Generally speaking, costs incurred on the issuance of Units may be deducted by the Trust on a five-year, straight-line basis, subject to proration where the Trust's taxation year is less than 365 days. Any losses incurred by the Trust may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Trust, in accordance with the detailed rules in the Tax Act.

The Trust intends to make distributions to Unitholders as described in "*Summary of the Trust Indenture – Distributions*" and to deduct, in computing its income in each taxation year, such amount so that the Trust should not be liable for income tax under Part I of the Tax Act for each year, other than such tax on net realized capital gains that will be recoverable by the Trust in respect of such year by reason of the capital gains refund mechanism provided for in the Tax Act. No assurances, however, can be given in this regard. The Trust will also be required to include any income or loss allocated to it by the Partnerships in respect of a fiscal year whether the Partnerships make any distributions to the Trust.

Tax Treatment of the Partnerships

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

In computing its income, each Partnership generally will be entitled to deduct expenses in the fiscal period of the Partnership in which they are incurred to the extent that they are reasonable and are permitted by the Tax Act.

The characterization of any gain or loss realized by a Partnership from the disposition of an investment as either a capital gain or loss or ordinary income or loss will be based on the facts and circumstances relating to the particular disposition.

Taxation of Unitholders

A Unitholder will be required to include in computing income for a particular taxation year the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable, or deemed to be paid or payable, to the Unitholder (whether in cash or in Units) in the taxation year, whether or not the amount was actually paid to the Unitholder. Income of a Unitholder from the Trust will generally be considered to be income from property for the purposes of the Tax Act. The non-taxable portion of the Trust's net realized capital gains paid or payable and designated to a Unitholder in a taxation year (as discussed below) will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Trust's net income for a taxation year paid or payable to the Unitholder in the year generally will not be included in the Unitholder's income but will reduce the adjusted cost base of the Unitholder's Units. Any losses of the Trust for the purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Under the Tax Act, the Trust is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This provision will enable the Trust to utilize, in the taxation year, losses from prior years without affecting the ability of the Trust to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Trust will not be included in the Unitholder's income. The adjusted cost base of the Unitholder's Units, however, will be reduced by such amount.

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

Provided that appropriate designations are made by the Trust, such portion of (i) net realized taxable capital gains of the Trust; (ii) the income of the Trust from foreign sources; and (iii) the taxable dividends received or deemed to be received by the Trust on shares of taxable Canadian corporations, as is paid or becomes payable to a Unitholder, will effectively retain its character and be treated as such in the hands of the Unitholder for the purposes of the Tax Act. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Trust is subject to the foreign tax credit rules under the Tax Act and the Unitholder's particular circumstances. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations. Unitholders should consult their own tax advisors in this regard.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), a Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Trust which represents an amount that must otherwise be included in the Unitholder's income) exceed (or are less than) the adjusted cost base of such Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of other Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains from the Trust generally will be equal to the amount of the distribution. The taxation of capital gains and capital losses is described below under "Certain Canadian Federal Income Tax Considerations – *Taxation of Capital Gains and Capital Losses*". The cost of Units acquired on the reinvestment of distributions under the DRIP will be equal to the amount of such reinvestment.

A redemption of Units in consideration for cash, Trust Redemption Notes, or other property of the Trust distributed *in specie*, as the case may be, will be a disposition of such Units for proceeds equal to the amount of such cash or the fair market value of such consideration, less any income or capital gain realized by the Trust in connection with the redemption of those Units which has been designated by the Trust to the Unitholder. The Trust Indenture provides that the Trustee has the discretion to designate certain net income and any capital gains realized by the Trust as a result of the redemption of Units to the Unitholder redeeming Units as is reasonable in the circumstances. The Unitholder will be required to include in income any such net income so designated. Redeeming Unitholders will consequently realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (less any portion thereof that is considered a distribution of the Trust's income) exceeds (or is less than) the aggregate of the Unitholder's adjusted cost base of the Units and any reasonable costs of disposition. The cost of any property distributed in specie by the Trusts to a Unitholder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Unitholder will thereafter be required to include in income any interest or other income derived from the property in accordance with the provisions of the Tax Act.

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

In the event of a fee reduction pursuant to the Investor Alignment Program (see *Schedule "B"*), the income of the Trust will be greater than it would have been without a reduction. The amount of this additional income will be contributed by the Trust to the Private LP (without the issuance of new Private LP Units to the Trust). It is expected that such income will be allocated and paid to the Unitholders of the relevant Class and series by the Trust issuing additional Units at the year-end, rather than making the distribution in cash, followed by an immediate consolidation of Units of each relevant Class and series. Unitholders who are allocated income without a corresponding cash distribution will be required to fund any resulting income tax liability from other sources available to the Unitholder.

A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. See "*Distributions*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized on the disposition of Units by a Unitholder must be included in income for the taxation year of disposition and one-half of any capital loss (an "allowable capital loss") must normally be deducted by a Unitholder against any taxable capital gains realized in the same taxation year. Any excess of allowable capital losses over taxable capital gains for the year of disposition is generally deductible against net taxable capital gains realized in any of the three prior taxation years or in any subsequent taxation year, in the circumstances and to the extent described in the Tax Act.

A Unitholder that throughout the relevant taxation year is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be subject to an additional refundable tax in respect of its “aggregate investment income” (which is defined in the Tax Act to include taxable capital gains and interest income).

Taxable capital gains realized by Unitholders that are individuals or trusts, other than certain specified trusts, may increase the Unitholder’s liability for alternative minimum tax under the Tax Act.

COMPENSATION PAID TO SELLERS AND FINDERS

The Trust has retained Pinnacle, a registered exempt market dealer, as the principal Selling Agent in respect of the distribution and sale of the Units and the Trust may choose to retain additional Selling Agents. Certain principals of Pinnacle are the same as those of the Trustee and the General Partners. The Trust will pay fees in respect of administrative matters in connection with the Offering. See “*Compensation and Fees Paid to the Manager*” and “*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*”.

No Upfront Selling Commissions

The Trust shall not pay any upfront selling commission to any Selling Agent in respect of the sale of Units pursuant to the Offering. However, the Offering Costs Fee and the Wholesaler Fee (if any) will be deducted from the gross proceeds collected from the sale of each Unit, to arrive at the Net Proceeds from the sale of such Unit.

Trailer Fee

Instead of up-front commissions, the Trust will pay ongoing deferred commissions or “**Trailer Fees**” to Selling Agents. The Trailer Fees will vary by Class and series of Units as set out in *Table 9* below. So long as the client continues to hold the Units in question, the Selling Agent continues to receive the Trailer Fee. The continuing payment of a Trailer Fee may, over time, result in an amount being paid to a Selling Agent that is greater than the amount of a traditional up-front selling commission, depending on how long an investor holds an investment in Units.

The amount of the Trailer Fee for each Class and series of Units is set out below.

TABLE 9 – Trailer Fee

	Class I		Class II		Class III			
	Series A	Series F	Series A	Series F	Series A	Series B	Series F	Series S
Trailer Fee ^{(1) (2) (3) (4)}	2%	0%	1%	0%	2%	1%	0%	2%

Notes:

- (1) The Trailer Fee is expressed as an annual percentage calculated monthly on the Valuation Date and is paid by the Trust to the Selling Agents, including Pinnacle, the principal Selling Agent, monthly in arrears as set out in the Distribution Agreement. See “*Summary of Other Material Agreements – Distribution Agreement*”.
- (2) The Trailer Fee per Unit is expressed as an annualized percentage of the NAV of each particular Class and series of Units. If the NAV of the Units increases or decreases, the Trailer Fee will increase or decrease proportionately.
- (3) The Trailer Fee presented above is a maximum rate. The Trust and the Selling Agent may agree upon a lower rate.
- (4) While Class I and Class II Units, Series B are no longer sold as at the date of this Offering Memorandum, all issued and outstanding Class I and Class II Units, Series B will pay a Trailer Fee of 1%, in relation thereto with the terms as outlined in notes 1, 2 and 3 above.

The Trailer Fee is payable to the registered dealing representatives of Pinnacle and those of other Selling Agents in respect of all sales of Units for which each acted as dealing representative. In certain circumstances described in *Schedule “B”* of this Offering Memorandum, the dealing representatives have agreed (in the case of Pinnacle dealing representatives) and will agree (in the case of dealing representatives of other Selling Agents) to reduce the Trailer Fee as part of the Investor Alignment Program, as referenced under “*The Investment Structure – Investor Alignment Program*” and as described in detail in *Schedule “B”* attached to this Offering Memorandum.

Dealer Fee

The Trust will pay the following fee (the “**Dealer Fee**”) to each Selling Agent that varies by Class and series of Units, as set out below. **The Dealer Fee will be paid to Pinnacle where Pinnacle acts as Selling Agent.**

TABLE 10 – Dealer Fee

	Class I	Class II	Class III
Dealer Fee ^{(1) (2) (3)}	0.475%	0.275%	0.5%

Notes:

- (1) The Dealer Fee is expressed as an annual percentage and calculated and paid monthly on the Valuation Date and is paid, on behalf of the Trust to the Dealer monthly in arrears.
- (2) The Dealer Fee per Unit is expressed as an annualized percentage of the NAV of each particular Class and series of Unit which, in turn, is based on the aggregate NAV of the Private LP Units and Public LP Unit corresponding to such Unit.
- (3) The Dealer Fee presented above is a maximum rate. The Trust and the Selling Agent may agree upon a lower rate.

Wholesaler Fee

The Manager may engage the services of one or more wholesalers from time to time to assist in promoting the Offering among registered dealers and dealing representatives. If wholesalers are engaged, the Trust may pay a salary and/or up to 0.8% of the gross proceeds of the sale of Class I Units and Class III Units and up to 0.4% of the gross proceeds of the sale of Class II Units (the “**Wholesaler Fee**”) to wholesalers, including exempt market dealers, who provide wholesaling services in respect of the Offering. Any wholesaler(s) will be engaged by either the Manager or the Trust, however, the Wholesaler Fee will be an expense of the Trust.

Referral Fee

The Manager may pay a referral fee to a third party for a successful referral resulting in an investment by the Private LP in securities of an investee issuer. Where a referral fee is payable, the Manager may pay all or a portion of such fee out of the Placement Agent Fee payable to the Manager and the balance, if any, may be paid by an investee issuer. No referral fee will be paid directly by the Trust or the Private LP. Since inception, the Manager has paid no referral fee.

Conflict of Interest

The Trust has retained Pinnacle, a registered exempt market dealer, as the principal Selling Agent in respect of the distribution and sale of the Units and the Trust may choose to retain additional Selling Agents. The Trust is a related and connected issuer of Pinnacle. Certain principals of Pinnacle are the same as those of the Trustee and the General Partner. Certain of the compensation described above will be paid or payable to Pinnacle and/or dealing representatives of Pinnacle. See “*The Investment Structure – Relationship between the Trust, the Trustee, the General Partners and Pinnacle – Related and Connected Issuer Disclosure*”, “*The Investment Structure – Conflict of Interest Policy*” and “*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*”.

COMPENSATION AND FEES PAID TO THE MANAGER

Management Fee

Pursuant to the Portfolio Management Agreement, the Trust will pay a portfolio management fee to the Manager for managing the Private Portfolio and the Public Portfolio, respectively, as set out in Table 11 below (the “**Management Fee**”):

TABLE 11 – Management Fee

	Class I		Class II		Class III			
	Series A	Series F	Series A	Series F	Series A	Series B	Series F	Series S
Management Fee ⁽¹⁾⁽²⁾	1.85%		0.75%		2.00%			

Note:

- (1) The Management Fee is expressed in *Table 11* as an annual percentage and is calculated separately for each Class of Units on each Valuation Date and paid by the Trust to the Manager monthly in arrears.

Class I and Class II Units, Series B are no longer being distributed or sold under the Offering, however the Management Fee for holders of existing Series B of Class I and Class II Units remain applicable.

In certain circumstances described in *Schedule “B”* of this Offering Memorandum, the Manager has agreed to reduce the Management Fee as part of the Investor Alignment Program, as referenced under “*The Investment Structure – Investor Alignment Program*” and as described in detail in *Schedule “B”* attached to this Offering Memorandum.

In addition to the Management Fee, the Manager will be paid an annual fee of \$1 pursuant to the Management Agreement for the administrative services provided by the Manager to the Trust and the Partnerships.

Performance Fee

It is anticipated that the Trust will have distributable cash in excess of the Hurdle Rate distributions made each month. Such surplus distributable cash is retained in the relevant Series Asset Pool and is characterized as the “**Performance Pool**” of such Class and series of Units. Each Performance Pool, if any, will be retained by the Trust until the end of the calendar year, at which time the aggregate amount of such surplus distributable cash, net of the applicable performance fee (the “**Performance Distribution**”), will be distributed to Unitholders. The amount of the Performance Distribution will vary depending on the Class and series of Unit held by the Unitholder. The two factors that impact the amount distributed on the annual Performance Distribution are: (i) the Hurdle Rate; and (ii) the Performance Fee, each of which can vary as between Classes and series of Units, as shown in *Table 12*, below. The Hurdle Rates vary across all series and increase from series A to series F. Every dollar in excess of the monthly proportionate payment of the Hurdle Rate will be retained in the Performance Pool of the relevant Class and series of Units. Since a lower Hurdle Rate applies to the Class III Units, series S, Class I Units, series A and Class II Units, series A, excess dollars may accumulate in these Performance Pools more quickly than will be the case for the other Performance Pools. At the end of the calendar year, the Performance Fee will be calculated for each Performance Pool by applying the percentage stated in *Table 12* to the balance in the Performance Pool, and the amount so calculated will be paid to the Manager in consideration of achieving the higher rate of return for the portfolio. The Trust will pay the Performance Fee, if any, to the Manager, which varies by Class and series of Units, as set out below. A Performance Fee will only be payable to the Manager, if any, in connection with the performance of the Private Portfolio and not the Public Portfolio. See also, “*Distributions*”.

TABLE 12 – Performance Distribution and Performance Fees

	Class I		Class II		Class III			
	Series A	Series F	Series A	Series F	Series A	Series B	Series F	Series S
Hurdle Rate ^{(1) (2)}	7.0%	9.0%	7.0%	9.0%	7.0%	8.0%	9.0%	5.5%
Performance Distribution (to the Unitholders)	60%	80%	60%	80%	60%	60%	80%	60% ⁽⁵⁾
Performance Fee (to the Manager) ^{(2) (3) (4)}	40%	20%	40%	20%	40%	40%	20%	40%

Notes:

- (1) The Hurdle Rate is expressed as an annualized percentage of the NAV per Private LP Unit of each Class and series calculated on the last Valuation Date of the year.
- (2) The Performance Fee is expressed as a percentage of the Performance Pool of a Class and series of Units payable after the end of the calendar year, based upon the audited financial statements. The remaining percentage is paid to the Unitholders as the Performance Distribution. The Manager may, in its discretion, share up to 50% of the Performance Fee with dealing representatives of record in respect of the Units in question.
- (3) The Performance Pool of a Class and series of Units (less the amount paid as the Performance Fee to the Manager) will be shared pro-rata with investors depending on their date of investment.
- (4) Series B of the Class I and Class II Units are no longer being distributed under the Offering, however the existing Hurdle Rate of 8.0% and Performance Distribution of 40% for holders of existing series B of Class I and Class II Units remain applicable.

The Public Fund Manager may also be paid a performance fee, but the Manager and Unitholders will not participate in or receive any portion of such a fee. Since the Performance Fee payable to the Manager is linked only to the cash distributions generated by the Private Portfolio, the possibility of duplicating the performance fee payable to the Public Fund Manager, if any, is eliminated. See “*Risk Factors – Risks Associated with the Trust – Conflicts of Interest*” and the Information Statement.

Offering Costs Fee

The Offering Costs are estimated to be \$750,000 based on the Maximum Offering of \$50,000,000. Pinnacle has assumed the obligation to pay the Offering Costs but seeks reimbursement from the Trust. Accordingly, the Trust will impose a fee of 1.5% of the subscription price per Class I Unit, Class II Unit and Class III Unit series A, B and F, and 0.75% of the subscription price per Class III Unit, series S (the “**Offering Costs Fee**”) until such time as the Offering Costs are fully repaid to Pinnacle. The Offering Costs Fee will be deducted from the gross proceeds of the Offering at each Closing and will provide incremental reimbursement to Pinnacle as the Offering progresses. Pinnacle bears the risk that the Offering Costs will not be fully reimbursed if the Offering does not generate sufficient gross proceeds. As of December 1, 2017, Pinnacle has been paid an Offering Cost Fee of \$266,436.95.

Due Diligence Fee

Pinnacle, as placement agent for the Private LP, typically earns a due diligence fee. The due diligence fee is charged for expenses Pinnacle incurs to undertake due diligence in connection with potential investments into the Private LP. The due diligence fee is payable by the Investee Issuer and not the Private LP or the Trust. The due diligence fee may also be reduced in circumstances where:

- (a) Pinnacle sells securities of the same Investee Issuer as a separate product on Pinnacle’s product shelf; and
- (b) the Private LP makes more than one investment in securities of the same Investee Issuer at different closings.

See “*The Private Portfolio – Investment Policies and Restrictions of the Private Portfolio – No Duplication of Fees*”.

Placement Agent Fee

Pinnacle may act as the placement agent of the Manager of the Private LP in circumstances where the Manager has determined to make an investment in securities of an investee issuer. As placement agent, Pinnacle will, among other things, assist in the structuring, negotiation drafting and closing of an investment by the Private LP in securities of an investee issuer. Pinnacle, as placement agent, will earn the Placement Agent Fee.

The Placement Agent Fee is payable by the investee issuer and not by the Private LP or by the Trust.

As mentioned above, third parties may earn a referral fee for referring investee issuers to the Manager for investment by the Trust. The Manager may pay all or a portion of any referral fee out of the Placement Agent Fee payable to the Manager and the balance, if any, will be paid for by the referred investee issuer. See “*The Private Portfolio – Pinnacle’s Due Diligence and Approval Process*”. The Placement Agent Fee may be reduced by Pinnacle in circumstances where: (a) Pinnacle sells securities of the same investee issuer as a separate product on Pinnacle’s product shelf. See “*The Private Portfolio – Investment Policies and Restrictions of the Private Portfolio – No Duplication of Fees*”); and (b) the Private LP makes more than one investment in securities of the same investee issuer at different closings that are proximate in time.

Expense Allocation

Pinnacle, the Trust and the Partnerships have agreed that Pinnacle may allocate certain expenses to the Trust and/or Partnerships See “Summary of Other Material Agreements – Expense Payment Agreement”.

RISK FACTORS

An investment in the Trust is speculative and contains certain investment, operational, technological, business and other risks. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Units, as well as the risk factors set forth in the Information Statement. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Trust will meet the Trust Investment Objectives or otherwise be able to successfully carry out its investment program. The Trust’s returns may be unpredictable and, accordingly, the Trust’s investment program is not suitable as the sole investment vehicle for an investor or for an investor that is looking for a predictable source of cash flow. An investor should only invest in the Trust as part of an overall diversified investment strategy. Based on, among others, the factors described below, the possibility of partial or total loss of capital will exist and investors should not subscribe unless they understand the risks and can readily bear the consequences of such loss of capital.

Risks Associated with the Offering

Speculative Offering

THIS IS A SPECULATIVE OFFERING. The purchase of Trust Units involves a number of risk factors. There is no assurance that Unitholders will receive any return or repayment of their Capital Contributions to the Trust. An investment in any series of Units is appropriate only for Subscribers who have the capacity to absorb a total loss of their investment. Subscribers who are not willing to rely on the sole and exclusive discretion and judgment of Pinnacle or the Public Fund Manager should not subscribe for Trust Units. This is not a liquid investment.

Liquidity

THERE IS NO MARKET FOR THESE SECURITIES AND THE TRANSFER OF TRUST UNITS IS SIGNIFICANTLY LIMITED AND IN SOME CIRCUMSTANCES PROHIBITED. An investment in the Trust Units should only be considered by those Unitholders who are able to make and bear the economic risk of a long-term investment and the possible total loss of their investment.

Risks Associated with the Trust

Nature of Investment

An investment in the Trust requires a long-term commitment, with no certainty of return. Investments made by the Trust, indirectly through the Partnerships, may not generate current income. Therefore, the return of capital and the realization of gains, if any, from an investment generally will occur upon the partial or complete realization or disposition of such investment. While an investment may be realized or disposed of at any time, the ultimate realization or disposition of the Trust’s indirect investments may not occur for a number of years after such investments are made. This investment has a long duration that may be impacted by significant, low-probability, high-consequence events. The Trust expects to invest, indirectly through Private LP, primarily in securities that are illiquid and subject to resale restrictions. These investments are subject to various risks, particularly the risk that the Trust, indirectly through the Partnerships, will be unable to realize its investment objectives by sale or other disposition at attractive prices or

otherwise be unable to complete any exit strategy. In some cases, the Trust, indirectly through the Partnerships, may be prohibited or limited by contract from selling certain securities for a period of time, and as a result, may not be permitted to dispose of an investment at a time it might otherwise desire to do so. Furthermore, the types of investments made may require a substantial length of time to liquidate and may have limited or no liquidity in terms of buyers for the investments at certain times, such as debt market disruptions. There can be no assurance that a public market will develop for any of the Trust's indirect investments or that the Trust, indirectly through the Partnerships, will otherwise be able to realize such investments. While the Trust maintains sufficient cash balances to cover general and operating expenses, the illiquidity of the Trust's investments may cause deficiencies if substantial unexpected events occur or expenses become due. The Trust is not a reporting issuer or the equivalent thereof under the securities legislation in any jurisdiction in Canada and it is not currently anticipated that the Trust will become a reporting issuer or the equivalent thereof under such securities legislation.

No Assurance of Investment Return

The success of the Trust will depend on the ability of Pinnacle and the Public Fund Manager to identify, select, close, grow and exit appropriate investments. The task of identifying investment opportunities, monitoring such investments and realizing a significant return for Unitholders is difficult and subject to many factors. Many organizations operated by individuals of competence and integrity have been unable to make, manage and realize on such investments successfully at certain times. There is no assurance that Pinnacle or the Public Fund Manager will be able to generate returns for Unitholders or that returns will be at levels currently anticipated by Pinnacle or the Public Fund Manager. The expenses of the Trust may exceed its investment returns, and the Unitholders could lose the entire amount of their Capital Contribution.

Limited Operational History

The Trust was formed for a limited purpose and will carry on no business other than to:

- distribute Units;
- invest proceeds from the issue and sale of Units in and hold a limited partnership interest in, or lend funds to, the Partnerships; and
- pay distributions to Unitholders in each distribution period pursuant to the Trust Indenture.

The Trust's business is subject to all the risks inherent in the establishment of a new business enterprise. There is no certainty that the Trust's business strategy will be successful. The likelihood of success of the Trust must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Trust fails to address any of these risks or difficulties adequately, its business will likely suffer. There is no assurance that the Trust can operate profitably.

No Assurance of Achieving Investment Objectives or Distributions

There is no assurance that the Trust will be able to achieve the Trust Investment Objectives. Furthermore, there is no assurance that the Trust will be able to pay distributions in the short or long term, nor is there any assurance that Net Asset Value will be preserved. Changes in the relative weightings between the various types in investment vehicles making up the Partnerships' portfolios can affect the overall yield to Unitholders. There is no assurance that there will be adequate cash flow of the Trust to meet the anticipated obligations and economic objectives described in this Offering Memorandum. The funds available for distribution to Unitholders will vary according to, among other things, the return on its investments and the value of the Private and Public LP Units. The Trust may not have any available funds to distribute cash or pay expenses, even where it has established and funded a working capital reserve for such purposes. The Trust will rely on the cash flow of the Trust to fund, in the Trustees' discretion, distributions (if any) of distributable cash (if any). Accordingly, cash distributions are not guaranteed and cannot be assured.

The Trust may not achieve the Trust Unit Target Distribution Rate for any Series Asset Pool for an interim period of six to twelve months after the Initial Closing until the amounts invested in Private LP Units are deployed by the Private LP in the Private Portfolio and start to generate returns. In addition, the Trust may, from time to time, including more than a year following the Initial Closing, not achieve the Trust Unit Target Distribution Rate for any Series Asset Pool in the event that high volumes of Net Proceeds from Closings of the Offering exceed the ability of the Private LP to invest those proceeds in the Private Portfolio over the short term. While the Manager will manage the availability of

investments in the Private Portfolio to the extent possible and will defer costs to the extent reasonably practicable in order to mitigate or eliminate any interim impact on the Trust Unit Target Monthly Distribution Rate, there is no assurance that such strategies will be effective.

There is no assurance that an Alignment NAV Increase (as such term is defined in Schedule “B”) will be achieved pursuant to the Investor Alignment Program or that any such increase will restore the NAV per Private LP Unit to the Alignment Trigger NAV (as such term is defined in Schedule “B”).

The return on an investment in the Units is not comparable to the return on an investment in fixed-income securities. Cash distributions to Unitholders are not guaranteed and are not fixed obligations of the Trust; any receipt of cash distributions by a Unitholder is at any time subject to the terms of the Trust Indenture. Any anticipated return on investment is based upon many performance assumptions. Although the Trust intends to distribute its available cash to Unitholders, cash distributions may be reduced or suspended at any time and from time to time. The value of the Trust Units may decline if the Trust is unable to meet its cash distribution targets in the future and that decline may be significant.

The Trust has Limited Assets and Working Capital

The Trust has no assets, and will undertake no activities, other than as described in this Offering Memorandum (being the Trust’s investment in the Partnerships through the purchase of LP Units). The Trust will not carry on business and will have limited sources of working capital. There is no assurance that the Trust will have adequate working capital to meet the anticipated requirements. In addition, there is no assurance that the Trust will have access to additional debt or equity financing when needed or at all, or on acceptable terms. It is unlikely that the Trust and its subsidiaries will have sufficient assets to satisfy any claim that a Unitholder may have against such entities.

Reliance upon the Partnerships

The Trust is an open-ended limited purpose investment trust that will entirely depend upon the Private LP and the Public LP since the Trust’s primary asset is its interest in the Partnerships, as a limited partner. Distributions, if any, to Unitholders will depend upon numerous factors, including profitability and fluctuations in working capital of the Partnerships.

Performance of the Portfolio

The NAV per Unit of each series will vary as the value of the Investments varies. The Trust has no control over the factors that affect the value of the investments, including factors that affect the debt and equity markets generally such as general economic and political conditions and fluctuations in interest rates, foreign currency exchange rates and factors unique to each issuer included in the Private Portfolio or Public Portfolio, such as commodity prices or the performance of emerging market economies generally. The Trust’s indirect holdings through the Partnerships in particular investments may be insufficient to give it control or influence over changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities.

Use of leverage

Private LP may borrow up to 15% of its Net Asset Value + for the purpose of funding its investment activities. See “*The Private Portfolio – Investment Policies and Restrictions of the Private Portfolio – Permitted Leverage*”. The use of leverage can magnify investment losses because the borrowed funds must be repaid regardless of the performance of an investment or Private LP. There can be no assurance that the borrowing strategy employed by Private LP will enhance its returns. The Trust’s degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the Trust’s ability to obtain additional financing in the future for working capital, its development or other general corporate purposes, making the Trust more vulnerable to a downturn in business or the economy in general.

Short-term investment risks

The Trust may from time to time invest excess cash balances in short-term commercial paper or similar securities. Recent market conditions affecting certain types of short-term investments of some North American issuers as well as certain financial institutions have resulted in restricted liquidity for these investments. There can be no guarantee

that further market disruptions affecting various short-term investments or the potential failure of such financial institutions will not have a negative effect on the liquidity of investments made by the Trust.

Asset Allocation

Investments will be allocated based on judgements by Pinnacle and the Public Fund Manager. There is a risk that the Private Portfolio or the Public Portfolio will allocate assets to an asset class that underperforms other asset classes. The Private Portfolio and Public Portfolio may be subject to moderate to severe concentration risk. Changes in redemptions and changes to the total aggregate funds in the Trust may impact the ability to effectively diversify and manage either or both portfolios. There is no guarantee that the conditions for the Private Portfolio or Public Portfolio will continue to allow for identification of investments to meet the investment criteria or hurdle rates set out hereunder. In addition, the Private Portfolio may be sensitive to, and impacted by, interest rate risk and change and this may impair the Manager's ability to identify and source investment opportunities that meet the Investment Objectives and manage the Trust to meet the minimum requirements for diversification.

Valuation of the Trust's Investments

The valuation of the Trust's and the Partnerships' securities and other investments by Pinnacle and the Public Fund Manager may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value could be adversely affected. Independent pricing information may not at times be available regarding certain of the Trust and the Partnerships' securities and other investments. Valuation determinations will be made in good faith in accordance with the Trust Indenture. The Trust, indirectly through the Partnerships, may have some of its assets in investments, including private companies or asset-backed securities, which by their very nature may be extremely difficult to value accurately and may depend significantly on assumptions. To the extent that the value assigned by Pinnacle to any such investment differs from the actual value, the Net Asset Value may be understated or overstated, as the case may be. Pinnacle does not intend to adjust the Net Asset Value retroactively.

Reliance on the Trustee and the Manager

All decisions with respect to the Trust Property and the operations of the Trust are expected to be made exclusively by Pinnacle, with respect to the Private Portfolio, and both Pinnacle and the Public Fund Manager, with respect to the Public Portfolio. Unitholders will have no right to make any decisions with respect to the management, disposition or other realization of any investment, or other decisions regarding the Trust's business and affairs. No prospective investor should purchase a Trust Unit in the Trust unless such prospective investor is willing to entrust all aspects of the management of the Trust to Pinnacle. Certain personnel of Pinnacle, and their respective affiliates may work on other projects and, therefore, conflicts may arise in the allocation of management resources.

Employee Errors or Misconduct

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the investment industry in recent years and, notwithstanding the measures we take and intend to take to deter and prevent such activity, there is the risk that employee misconduct could occur. Misconduct by employees could include binding us to transactions that exceed authorized limits or present unacceptable risks, or concealing from us unauthorized or unsuccessful activities, which in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. The Trust and the Partnership are also susceptible to loss as a result of employee error. It is not always possible to deter employee misconduct or prevent employee error and the precautions taken to prevent and detect this activity may not be effective in all cases, which could materially adversely affect the Trust and the Partnership.

Reliance on Assumptions

The Trust Investment Objectives, strategy, analysis and expectations regarding recent economic developments have been formulated by the Manager with respect to the Private Portfolio and by the Public Fund Manager with respect to the Public Portfolio. Such analysis and expectations regarding recent economic developments. Such analysis may be incorrect and such expectations may not be realized, in which event the Trust may not generate sufficient funds to pay the expected distributions.

Knowledge of and Dependence on Specialized Manager

The Private LP is dependent on the knowledge and expertise of a Specialized Manager in connection with the investment products managed by the Specialized Manager in which the Private LP will invest. There is no certainty that the persons who are currently officers and directors of a Specialized Manager will continue to be officers and directors of the Specialized Manager for an indefinite period of time. As well, the Private LP may invest in income producing securities of a reporting issuer (subject to a maximum of 20% of the NAV of the Private LP at the time of the investment) of a Specialized Manager, including preferred shares or dividend paying equity securities, increasing the Private LP's dependency on the Specialized Manager. A regulatory issue or failure impacting such a Specialized Manager could significantly and adversely affect the performance of the Partnership.

Dependence on Investment Professionals

The success of the Trust will depend in large part upon the skill and expertise of the investment professionals and other personnel employed by Pinnacle and the Public Fund Manager. There can be no assurance that such personnel will remain with Pinnacle or the Public Fund Manager. The loss of one or more of these individuals could have a significant adverse impact on the business of the Trust.

Limited Investment Experience of Manager in Certain Areas

Although the Chief Investment Officer of the Manager (the "CIO") has investment experience in the public markets and alternative investments (*e.g.*, private equity, private debt, infrastructure, real estate, real assets, hedge funds, and venture capital), he has limited or no experience in direct investment in certain areas, such as mortgage lending. However, Pinnacle has considerable experience in its capacity as a dealer in raising financing for issuers operating in these businesses, including conducting extensive due diligence of such issuers and their operations. It is expected that the CIO of the Manager will benefit from the experience of Pinnacle in its experience in undertaking due diligence in the private markets.

Hedging

The Private LP may engage in currency risk management activities that may make use of financial instruments to hedge its exposure to fluctuations in CDN\$ / USD\$ currency exchange rates and other market risks, which creates exposure to the following risks for the Trust:

- Unfavourable movements in foreign exchange could result in a financial or opportunity loss to the Trust;
- A lack of counterparties, due to market conditions or other circumstances, could result in the Private LP being unable to liquidate or offset a position, or unable to do so at or near the previous market price;
- The Private LP may not receive funds or instruments from the counterparty at the expected time or at all;
- The counterparty could default or fail to perform an obligation owed to the Private LP; and
- Loss as a result of human error, technological, cybersecurity or deficiency in the Private LP's systems or controls.

Conflicts of Interest

The Trust may be subject to various conflicts of interest because certain directors and officers of the Trustee and General Partners are also directors or officers of Pinnacle. The Trust may become involved in transactions, which conflict with the interests of one or more of the foregoing entities or individuals.

Pinnacle's services are not exclusive to the Trust. Pinnacle and the directors and officers of Pinnacle are each engaged in a wide range of investment and other business activities. There may be occasions when the officers and directors of the Trustee, General Partners or Pinnacle encounter conflicts of interest in connection with the Trust's activities, including where Pinnacle is providing advisory (or other business) services to other entities, have another business relationship with regards to an investment or are engaged in other investment management business activities. There may be conflicts in allocating investment opportunities among the Trust and other funds managed by Pinnacle.

Other than the standard of care specified in the Trust Indenture and the Partnership Agreements, the Trustee and the General Partners are not in any way limited or affected in their ability to carry on business ventures for their own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Trust.

Limitation on Payment of Redemption Amount in Cash

Cash redemptions payable at the Trust are dependent on the ability of its investments in LP Units of the Partnerships to fund such redemption requests. The Public LP will hold securities of reporting issuers. However, the Private LP is less liquid and imposes a quarterly cash redemption limit. For example, assuming a total NAV of \$1,000 and an Aggregate Redemption Amount of \$150 in a Redemption Period, the Private LP Aggregate Redemption Amount would be \$150 and the Redemption Threshold would be \$75 ($\$1,000 \times 7.5\%$). A limited partner of the Private LP (being the Trust in this case) redeeming \$75 of Private LP Units would therefore receive a cash payment of \$37.50 ($\$75 \times (\$75/\$150)$) and a \$37.50 Private LP Redemption Note ($\$75 - \37.50).

Termination of Trust as a Result of Redemption

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding could be significantly reduced. In any such circumstance, the Trustee may at any time terminate the Trust without the approval of the Unitholders if, in the opinion of the Trustee, it is no longer economically feasible to continue the Trust or the Trustee determines that it would be in the best interests of Unitholders to terminate the Trust.

Redemption Notes will be Unsecured

Redemption Notes issued by the Trust will be unsecured debt obligations of the Trust and may be subordinated to other financing obtained by the Trust.

Repayment of Redemption Notes

The Trust will create a reserve fund for interest payable with respect to Redemption Notes issued by the Trust. In the event that the Trust is unable to pay out a Redemption Note on maturity it may borrow funds from related and unrelated parties or seek to extend the terms of the Redemption Note. Notwithstanding the aforesaid circumstances may arise resulting in the Trust may not have funds available to pay on maturity the principal balance and accrued unpaid interest under any Redemption Notes issued.

Priority of Redemption Notes over Units

Redemption Notes, if issued by the Trust, may, in certain circumstances, have priority over Units in the event of the liquidation of the assets of the Trust. There are various considerations with respect to creditor rights and bankruptcy law that will need to be considered both at the time Redemptions Notes are issued and at the time of any liquidation of the assets of the Trust in order to determine if such a priority exists.

Lack of Independent Counsel Representing Unitholders

The Trust, the Trustee, and Pinnacle have consulted with and retained for their benefit legal counsel to advise them in connection with the formation and terms of the Trust and Partnerships and the offering of Trust Units. Unitholders have not, however, as a group been represented by independent legal counsel or independent tax and financial advisors regarding the desirability of purchasing Trust Units and the suitability of investing in the Trust. Therefore, to the extent that the Unitholders could benefit by further independent review, such benefit will not be available unless individual Unitholders retain their own legal counsel. Unitholders are urged to seek their own independent legal, tax, and financial advisors regarding this or any investment.

Unitholder Liability

There is a risk that Unitholders could become subject to liability. The Trust Indenture provides that no Unitholder shall be liable in connection with the ownership or use of the Trust Property, the obligations or activities of the Trust,

any acts or omissions of the Trustee, Pinnacle or any other person in respect of the activities or affairs of the Trust or any taxes or fines payable by the Trust or the Trustee or Pinnacle, provided that each Unitholder remain responsible for taxes assessed against them by reason of or arising out of their ownership of Trust Units. Further, if a Unitholder is held to be liable in circumstances for which the Trust Indenture provides that there is to be no liability to the Unitholder. The Unitholder will be entitled to be indemnified and reimbursed out of the Trust Property for the full extent of any such costs and liability to the Unitholder. The Trust Indenture provides that every contract entered into by or on behalf of the Trust, whether by the Trustee, Pinnacle or otherwise, shall include a provision to the effect that such obligation will not be binding upon Unitholders personally.

Certain provinces have legislation relating to unitholder liability protection, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. To the Trust's knowledge, certain of these statutes have not yet been judicially considered and it is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Unitholders have limited voting rights

Unitholders are NOT shareholders and do not enjoy the rights and privileges offered to shareholders under corporate statutes. The Trust is not generally regulated by established corporate law and Unitholders' rights are governed primarily by the specific provisions of the Trust Indenture. Subject to the Trust Indenture, Unitholders have rights to attend and vote at meetings; however, the Trust may but is not required to hold annual meetings of Unitholders or any Unitholder meetings on a periodic basis.

Recourse to the Trust's Assets

The Trust Property, including any investments made by the Trust and any capital held by the Trust, are available to satisfy all liabilities and other obligations of the Trust. If the Trust itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Trust's assets generally and not be limited to any particular asset, such as the investment, giving rise to the liability.

Indemnification

The Trustee, each former Trustee, Pinnacle and each officer of the Trust and each former officer of the Trust is entitled to indemnification and reimbursement out of the Trust Property, except under certain circumstances, from the Trust. Such indemnification obligations could decrease the returns, which would otherwise be available to the Unitholders of the Trust.

Effect of Expenses on Returns

The Trust will bear all expenses related to its operations and such expenses will reduce the actual returns to the Unitholders. Most of the expenses will be paid regardless of whether the Trust produces positive investment returns. If the Trust does not produce significant positive investment returns, these expenses could result in a Unitholder incurring a net loss in its investment. The Trust Units of the Trust are available in more than one class. If the Trust cannot pay the expenses of one class using its proportionate share of the Trust Property, the Trust will be required to pay those expenses out of the other class's proportionate share of the Trust's assets. This may lower the investment returns of the other class of Trust Units.

Lack of Regulatory Oversight

The Trust is not a "reporting issuer" or the equivalent under securities legislation and is not subject to the same level of regulatory oversight as applicable to "reporting issuers" (or the equivalent).

No Review of Offering Memorandum by Regulatory Authorities

Investors will not have the benefit of a review of this Offering Memorandum, the Trust Indenture, or any other documents in relation to the Offering by any regulatory authorities.

Disclosure of Personal Information

Investors are advised that their names and other specified information, including the number and aggregate value of the Units owned: (i) will be disclosed to the relevant Canadian securities regulatory authorities and may become

available to the public in accordance with the requirements of applicable securities and freedom of information laws and the investor consents to the disclosure of such information; (ii) is being collected indirectly by the applicable Canadian securities regulatory authority under the authority granted to it in securities legislation; and (iii) is being collected for the purposes of the administration and enforcement of the applicable Canadian securities legislation.

U.S. Tax Risk - FATCA

Pursuant to U.S. tax rules that came into force in 2014 a new withholding tax system known as the Foreign Account Tax Compliance Act (“**FATCA**”) was added to the U.S. Internal Revenue Code. With effect since July 1, 2014, the regulations under FATCA may result in the imposition of a 30% U.S. withholding tax on certain U.S. source income (and, effective January 1, 2019, on gross proceeds from the disposition of property that can give rise to U.S. source interest or dividends) paid unless the recipient or jurisdiction in which the recipient is located enters into and complies with an agreement with the Internal Revenue Service (“**IRS**”). The Trust may be considered to be a non-U.S. financial institution for purposes of FATCA and, therefore, payments to the Trust may be subject to such U.S. withholding tax requirements unless the Trust collects certain information from its investors and (where applicable) their beneficial owners, including information regarding their citizenship, and reports certain information to the IRS on its U.S. investors who are considered to be “**US persons**” and certain investors that are entities whose beneficial owners include US persons. Additionally, commencing in 2014, if the Trust meets certain conditions, it may be required to withhold 30% U.S. tax on all or a portion of certain payments made to an investor in the Trust who (i) fails to provide the required information to the Trust, or (ii) is a non-U.S. financial institution that has not entered into an agreement with the IRS under FATCA or (iii) holds securities of the Trust directly or indirectly through a noncompliant non-U.S. financial institution. The Trust intends to comply with these obligations to ensure that the 30% U.S. withholding tax does not apply to any payment they receive.

In February of 2014, the Governments of Canada and the United States signed an agreement, the Agreement Between the Government of the United States of America and the Government of Canada to Improve International Tax Compliance through Enhanced Exchange of Information under the Convention Between the United States of America and Canada with Respect to Taxes on Income and on Capital (“**IGA**”) under the Canada-United States Tax Convention (1980) (the “**Treaty**”), as amended, concerning the implementation of FATCA. The IGA was, in turn, implemented in Canada and its application modified for certain purposes under provisions found in Part XVIII of the Tax Act. Several of the key provisions of the IGA as it is implemented by the Tax Act are as follows:

1. Financial institutions in Canada will not report any information directly to the IRS. Rather, relevant information on accounts held by U.S. residents and U.S. citizens and certain entities with controlling persons that are U.S. residents or U.S. citizens will be reported to the Canada Revenue Agency (previously defined as the CRA). The CRA will then exchange the information with the IRS through the existing provisions and safeguards of the Treaty. The information required for this purpose must be requested and obtained from investors.
2. Significant exemptions and relief have been obtained under the IGA for reporting under FATCA. These include registered retirement savings plans, registered retirement income funds and tax-free savings accounts which will be exempt from reporting.
3. The 30% U.S. withholding tax under FATCA will generally not apply to clients of Canadian financial institutions and will apply to such institutions only if the institution is in significant and long term non-compliance with its obligations under the IGA.

In 2016, the Tax Act was amended to implement the Organization for Economic Co-operation and Development’s Common Report Standard (the “**CRS Legislation**”). Pursuant to the CRS Legislation, starting as of July 1, 2017 “Canadian financial institutions” (as defined in the CRS Legislation) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.), or held by certain entities the “controlling persons” of which are residents in such countries, and to report prescribed information to the Canada Revenue Agency. Such information would be exchanged on a reciprocal, bilateral basis with the countries in which the account holders or such controlling persons are resident where such countries have agreed to a bilateral information exchange with Canada under the Common Reporting Standard. Under the CRS Legislation, investors will be required to provide certain information including their tax identification numbers for the purpose of such information exchange unless their investment is held within a registered account.

Risks Associated with the Business

General Economic Conditions

The current general economic conditions, including in Canada and the U.S. and a worldwide economic slowdown, together with market disruptions to the credit and financial markets in Canada, the U.S. and the rest of the world may adversely affect the Partnerships' activities and its investments. Interest rates, changes in currency exchange rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value of investments made by the Partnerships or considered for prospective investment.

Competitive Marketplace

Private LP will be competing for investment opportunities with a significant number of other entities offering sources of equity and debt capital, including banks, private equity funds, institutional investors, strategic investors, as well as the public equity markets. As a result of this competition, there can be no assurance that the Partnerships will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve its targeted rate of return or fully invest its Capital Contributions. In addition, if the Partnerships make only a limited number of investments, the aggregate returns realized by the Trust could be adversely affected in a material manner by the unfavourable performance of even one such investment.

Interest Rate Risk

Interest rate risk is the risk that the market value of the Trust's and the Partnerships' interest-bearing investments will fluctuate due to changes in market interest rates. Generally, interest-bearing investments will decrease in value when interest rates rise and increase in value when interest rates decline. The Net Asset Value of the Partnerships will fluctuate with interest rate changes and the corresponding changes in the value of their investments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The nature of the Partnerships' investments in various types of lending creates credit risk through the possibility of borrowers defaulting on their repayment obligations. Through substantial loan defaults, the Partnerships' investments could be devalued or lost.

Currency Risk

Currency risk is the risk that the value of investments denominated in foreign currencies will fluctuate due to changes in exchange rates. The assets and liabilities of the Trust are held in the functional currency of the Trust, which is the Canadian dollar. The Trust currently only invests and makes distributions denominated in Canadian dollars; however, the underlying Partnerships may at times have exposures to more than one currency and in this case fluctuation in the value of the U.S. dollar could devalue the Partnerships' investments.

Foreign Market Risk

Private LP may, at any time, include securities of an issuer established in jurisdictions outside Canada and the U.S. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to applicable Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than Canadian or U.S. companies. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets may carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Liquidity of Investments

In certain circumstances, such as where securities of private issuers are involved or the disruption of the orderly markets for equity securities, currencies, commodities, derivatives and/or financial instruments in which the Trust indirectly invests, the Trust, indirectly through the Partnerships, may not be able to dispose of certain holdings quickly or at prices that represent true market value.

Past Performance and Fluctuations in Value

There can be no assurance that either Private LP or Public LP will achieve its investment objectives. The past investment performance of the Public Fund Manager should not be construed as an indication of the future results of an indirect investment in Public LP. Investors may not get back the amount they have invested.

Reinvestment Risk

There can be no assurances that any of the mortgages or commercial loans in which the Partnerships have invested, from time to time, can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage or loan it is possible that the lender, the borrower or both, will not elect to renew such mortgage or loan or the borrower will elect to prepay all or a part of such mortgage or loan. In addition, if the mortgages or loans are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages or loans will be subject to negotiations between the lenders, the borrower and the Mortgage Administrators, as applicable, at the time of renewal.

Investments in Early Stage Companies

Private LP's strategies may include investing in issuers at an early stage. Early stage issuers may be more volatile due to their limited operating and financial history, relative lack of financial resources or their susceptibility to major setbacks or downturns.

Litigation Risks

In the normal course of the Partnerships' operations, whether directly or indirectly, it may become involved in, named as a part to or the subject of, various legal proceedings, including, but not limited to, regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Partnerships' interests and as a result, could have a Material Adverse Effect of the Partnerships' investments, liabilities, business, financial condition and results of operations. Even if the Partnerships prevail in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have a Material Adverse Effect on the Partnerships' business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Changes in Legislation

There can be no assurance that income tax, securities or other laws, or any administrative practice or interpretation thereof will not be changed in a manner, which adversely affects funds or their investors.

Uninsured and Underinsured Losses

Pinnacle and the Public Fund Manager will use discretion in determining amounts, coverage and limits and deductibility provisions of insurance for their respective operations and assets, with a view to maintaining appropriate insurance coverage on its assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets. Further, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. A judgment against the Partnerships in excess of available insurance or in respect of which insurance is not available could have a Material Adverse Effect on the Trust's business and financial condition. A substantial loss without adequate insurance coverage could have a Material Adverse Effect on the business, financial condition, liquidity and results of operation for the Partnerships.

No Assurance Trust Investment Objectives or Distributions will be Achieved

There is no assurance that the Trust will be able to achieve the Trust Investment Objectives. Furthermore, there is no assurance that the Trust will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value will be preserved. Changes in the relative weightings between the various types of investment vehicles making up the Partnerships' portfolios can affect the overall yield to Unitholders. The distributions received by the Trust from issuers whose securities are held as investments may vary from month to month and certain of these

issuers may pay distributions less frequently than monthly, with the result that revenue generated by the portfolio and available for distribution to Unitholders of the Trust could vary substantially.

Trust Units are Not Insured

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

Trust Units do Not Have Rights Normally Associated with the Ownership of Shares in a Corporation

A Unitholder does not have all of the same protections, rights and remedies as a shareholder would have under the ABCA. Unlike shareholders of an ABCA corporation, the Trust will not be required to hold annual Unitholder meetings and Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Trust. The matters in respect of which Unitholder approval is required under the Trust Indenture are generally less extensive than the rights conferred on the shareholders of an ABCA corporation. Unitholders do not have recourse to a dissent right under which shareholders of an ABCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, the sale of all or substantially all of its property, or a going private transaction). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of an ABCA corporation, which would apply where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Shareholders of an ABCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances whereas Unitholders may rely only on the general provisions of the Trust Indenture, which permit the winding-up of the Trust with the approval of an extraordinary resolution of the Unitholders. Shareholders of an ABCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The ABCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include comparable rights.

Trustee not Registered Under Trust and Loan Legislation

Neither the Trust nor the Trustee is a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. Neither is the Trust a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada) or *The Companies Creditors Arrangement Act* (Canada). As a result, if a restructuring of the Trust were necessary, the Trust would not be able to access the remedies available under these statutes.

Eligibility for Registered Plans

In order for the Trust to qualify as a “mutual fund trust”, and hence the Units be a qualified investment for Registered Plans, the Trust must have at least 150 Unitholders of a class, each of whom holds a block of Units of such class with an aggregate fair market value of not less than CD\$500, in addition to satisfying certain additional requirements under the Tax Act. Based on a certificate provided by the Trustee to counsel as of the date of this Offering Memorandum the Trust has more than 150 Unitholders of a class, each holding a block of Units of such class with an aggregate fair market value of not less than CD\$500 and the Trust otherwise satisfies the requirements under the Tax Act in order for it to qualify as a “mutual fund trust” thereunder as at the date of this Offering Memorandum.

There can be no assurance that the Trust will continue to have at least 150 Unitholders of any Class, each holding a block of Units of such class with an aggregate fair market value of not less than CD\$500 at all times.

SIFT Legislation

It is intended that the Trust and the Partnerships not become a “SIFT trust” or “SIFT partnership”, respectively, as defined in the Tax Act. If at any time the Units or LP Units become listed or traded on any stock exchange or other public market, so that the Trust could be a SIFT trust or a Partnership could be a SIFT partnership, the Trustee will use its reasonable commercial efforts to operate the Trust, and to cause the Partnerships to operate, to ensure that the Trust and the Partnerships not be characterized as a SIFT trust or a SIFT partnership, respectively, for purposes of the Tax Act. In the event that the Trust is characterized as a SIFT trust, or a Partnership is characterized as a SIFT partnership, the income tax considerations described in this offering memorandum would be materially different and

adversely different in certain respects. To mitigate this risk, the Trust intends to restrict the transfer of Trust Units. There is no assurance that the Trust or a Partnership will not otherwise become a SIFT trust or SIFT partnership, respectively.

Income Tax Risks

Canadian federal and provincial tax aspects and local tax aspects should be considered prior to purchasing Units under the Offering. Unitholders are urged to consult their own tax advisors, prior to purchasing Units, with respect to the specific tax consequences to them. No advance income tax ruling has been applied for or received with respect to the income tax consequences described in this Offering Memorandum.

There can be no assurance that Canadian federal income tax laws or the judicial interpretation thereof or the administrative or assessing practices of the CRA respecting the treatment of trusts or limited partnerships will not be changed in a manner that adversely affects Unitholders or fundamentally alters the income tax consequences of investing in, holding or disposing of the Units. There is also a risk that CRA may reassess the returns of Unitholders relating to their investments in the Units.

The taxation of corporations, trusts and limited partnerships is complex. In the ordinary course of business, the Trust may be subject to ongoing audits by tax authorities. In addition, tax legislation changes periodically, sometimes with retroactive effect.

While the Trust believes that its tax filing position is appropriate and supportable, and that the Trust and the Partnerships will not be subject to the SIFT rules contained in the Tax Act, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on the Trust's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect the Trust's tax position. As a consequence, the Trust is unable to predict with certainty the effect of the foregoing on its effective tax rate and earnings.

Unitholders should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Units.

Although the Trust is of the view that all expenses to be claimed by it in the determination of its income under the Tax Act will be reasonable and deductible in accordance with the applicable provisions of the Tax Act and that the allocations of income and losses to be made for purposes of the Tax Act will be reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the CRA will agree with the expenses claimed. If CRA successfully challenges the deductibility of expenses or the allocation of income and losses, the Trust's allocation of taxable income and losses to the Unitholders may change.

The possibility exists that a Unitholder will receive allocations of income without receiving cash distributions from the Trust in the year sufficient to satisfy the Unitholder's tax liability for the year arising from its status as a Unitholder.

Trust Redemption Notes where Units held in Registered Plans

The Redemption Amount payable on redemption of Units may be satisfied, in whole or in part, by the issuance of Trust Redemption Notes, as determined by the Trustee in certain circumstances (see "*Summary of the Trust Indenture – Redemption of Units – Trust Redemption Notes*"). Such Trust Redemption Notes may not be liquid and generally will not be a qualified investment for Registered Plans. Adverse tax consequences generally may apply to a Unitholder, or a Registered Plan and/or its annuitant, beneficiary thereunder or holder thereof, as a result of the acquiring and holding of Trust Redemption Notes. Accordingly, investors that propose to invest in Units through Registered Plans should consult their own tax advisors before redeeming Units in order to understand the potential tax consequences of exercising their redemption rights attached to such Units.

Securities Regulatory Risks

In the ordinary course of business, the Trust may be subject to ongoing reviews by the securities regulators, who have broad powers to pass, interpret, amend and change the interpretation of securities laws from time to time and broad powers to protect the public interest and to impose terms, conditions, restrictions or requirements regarding registration under securities laws. Further, the securities regulators have the authority to retroactively deny the benefit

of an exemption from prospectus or registration requirements otherwise provided for in the securities laws where the regulator considers it necessary to do so to protect investors or the public interest.

While the Trust believes that its position regarding compliance with securities laws is appropriate and supportable, it is possible that securities matters may be reviewed and challenged by the securities authorities. If such challenge were to succeed, it could have a material adverse effect on the Trust. There can be no assurance that applicable securities laws or the securities regulators interpretation thereof or the practices of the securities regulators will not be changed or re-interpreted in a manner that adversely affects the Trust.

Composition of Investments

The composition of the Investments taken as a whole may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Investments being less diversified than anticipated.

The Manager of the Private LP will only be required to comply with the Private LP Investment Limits and the Minimum Number of Issuers Requirement after an initial start-up period of 12-months following the Initial Closing Date. and thereafter only if the aggregate subscription amount of Private LP Units purchased by the Trust exceeds \$10M.. However, there can be no assurance that the assets of the Private Portfolio will, at all times, satisfy the Private LP Investment Limits and the Minimum Number of Issuers Requirement, even if the Maximum Offering is completed. The Private Portfolio may be concentrated and undiversified initially, and may continue to be so indefinitely.

Overweighting investments/loans in certain Target Industries and Non-Target Industries involves risk that the Trust will suffer a loss because of declines in the prices of securities in those sectors or industries or involving impaired loans.

Risks Particular to Alternative Credit Transactions

Financing of Mid-Market Businesses

- The Private Portfolio will consist primarily of financing solutions provided to small to mid-market businesses, including privately-owned issuers, many of which do not publicly report their financial condition and are not subject to the same accounting rules and securities laws that govern disclosure and financial controls of reporting issuers (i.e., public companies).
- Compared to larger, publicly traded companies, financing solutions offered to these types of businesses may carry more inherent risk. It is anticipated that the Private LP's financing clients will generally have limited access to capital and higher funding costs. Such businesses may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Mid-market businesses may also have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as the Private LP's financing clients will likely not publicly report their financial condition and may not have sophisticated financial controls and oversight, the Private LP is more susceptible to a client's misrepresentation, which could result in a Material Adverse Effect. See also "*Risk Factors – Risks Associated with the Business – Risks Particular to the Alternative Credit Industry – Fraud by a Financing Client*".
- The failure of a financing client to accurately report its financial position could result in the Private LP providing financing solutions to a financing client that does not meet the Manager's underwriting criteria, defaults on payments owing to the Private LP, the loss of some or all of the principal of a loan, or non-compliance by a financing client with applicable covenants. Accordingly, financing solutions offered to these types of businesses involve higher risk than financing solutions offered to larger businesses with greater financial resources or that are otherwise able to access traditional credit sources.

Creditworthiness of Financing Clients

- The Private LP's business depends on the creditworthiness of its financing clients and their ability to fulfill their obligations to the Private LP. Although the Manager of the Private LP intends to offer financing solutions only to financing clients that have the ability to pay the interest rate or yield negotiated between the

parties, there can be no assurance that the Private LP's financing clients will not default and that the Private LP will not sustain a loss as a result. See *"Risk Factors – Risks Associated with the Business – Risks Particular to the Alternative Credit Industry – Default by and Bankruptcy of a Financing Client"*.

- The Private LP will also rely on representations and warranties made by financing clients in their financing documentation; however, there can be no assurance that such representations will be accurate or that the Private LP will have any recourse against the financing client in the event a representation proves to be untrue. See *"Risk Factors – Risks Associated with the Business – Risks Particular to the Alternative Credit Industry – Fraud by a Financing Client"*.

Fraud by a Financing Client

- While the Manager of the Private LP will make efforts to verify the accuracy of information provided to it when making a decision on whether to offer a financing solution, a financing client may misrepresent information relating its financial health, operations, or compliance with the terms under which the Private LP has advanced funds. In cases of fraud, it is difficult and often unlikely that the Private LP will be able to collect amounts owing under loan or realize on collateral, which could have a Material Adverse Effect.

Dependence on the Performance of Financing Clients

- The Private LP will be dependent on the operations, assets and financial health of the financing clients to which it directly and indirectly provides capital. The Private LP's ability to fund cash distributions to investors and its own operating expenses in the long term will be largely dependent on the investment returns and management fees received from the Private Portfolio. If the financial performance of its financing clients decline, cash payments to the Private LP will likely decline. The failure of any financing client to fulfill its payment obligations to the Private LP could adversely affect the Private LP's financial condition and cash flow. The Manager conducts due diligence on each financing transaction prior to entering into agreements and monitors activities of financing clients by receiving and reviewing regular financial reports. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the Manager's due diligence or that arise subsequent to the Private LP's funding of a loan that may have an adverse effect on a financing client's business.

Risks Facing Financing Clients

- Each financing client will also be subject to risks, which will affect their financial condition. As the Manager is not privy to all aspects of its clients' businesses, it is impossible to predict exactly what risks financing clients will face. Nonetheless, the Manager expects that typical risks may include the following:
 - The success of the Private LP's financing clients may depend on the management talents and efforts of one or two key persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a Material Adverse Effect on a financing client.
 - Financing clients may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, or is not available on beneficial terms, the financial performance and development of the businesses of the Private LP's financing clients may be adversely affected.
 - Damage to the reputation of the Private LP's financing clients' brands could negatively impact consumer opinion of those businesses or their related products and services, which could have an adverse effect on their business.
 - Financing clients may face intense competition, including competition from companies with greater financial or other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that the Private LP's financing clients will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.
 - Financing clients may experience reduced revenues from the loss of one or more customers representing a high percentage of their monthly revenues.

- Financing clients may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.
- Financing clients may rely on government or other subsidy programs for revenue or profit generation. Changes to or elimination of such programs may have an adverse effect on the financing client.
- Financing clients may derive some of their revenues from non-Canadian sources and may experience negative financial results based on foreign exchange losses, hedging costs or foreign investment restrictions.

Default by and Bankruptcy of a Financing Client

- A financing client's failure to satisfy its borrowing obligations, including any covenants imposed by the Private LP, could lead to defaults and the termination of the financing client's loans and enforcement against its assets. In order to protect and recover its investments, the Manager may be required to bear significant expenses (including legal, accounting, valuation, and transaction expenses) to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting financing client. In certain circumstances, a financing client's default under one loan could also trigger cross defaults under other agreements and jeopardize that financing client's ability to meet its obligations under a loan agreement it may have with the Private LP.
- Should a financing client become insolvent, the value of any collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale of all of a financing client's collateral will be sufficient to satisfy the loan obligations secured by the collateral, or that sufficient assets to repay the Private LP will remain after more senior creditors have been repaid. See also "*Risk Factors – Risks Associated with the Business – Risks Particular to the Alternative Credit Industry – Collateral Securing Private LP's Loans*".

Additional Indebtedness of Financing Clients

- To the extent a financing client is permitted to incur other debt secured by certain assets that ranks equally with, or senior to, the loans made by the Private LP, such debt instruments may provide that the senior holders are entitled to receive payment of interest or principal on or before the dates on which the Private LP's debt is serviced. The rights the Private LP may have with respect to the collateral securing the loans it provides, if any, may also be limited pursuant to the terms of one or more inter-creditor agreements with the holders of senior debt. Typically, an inter-creditor agreement will provide various rights and remedies to the holder of a first priority lien during the time it is outstanding, which may result in the Private LP failing to be repaid outstanding principal and interest owed to it and could have a Material Adverse Effect.

Collateral Securing the Private LP's Loans

- Where the Private LP's financing solutions are secured by a lien on specified collateral of the financing client (particularly inventory, receivables and tangible fixed assets), there is no assurance that the Private LP has obtained or properly perfected its liens, or that the value of the collateral securing any particular financing solution will protect the Private LP from suffering a partial or complete loss if the financing solution becomes nonperforming and the Private LP moves to enforce against the collateral. In such event, the Private LP could suffer losses that could have a Material Adverse Effect. In addition, during its due diligence process, the Private LP makes an estimate of the value of the collateral. A decrease in the market value of collateral assets at a rate greater than the rate projected by the Private LP may adversely affect the current realization values of such collateral. The degree of realization risk varies by the business of the financing client and the nature of the security.

Fair Value Estimate

- Loans and other investments within the Private Portfolio are assigned a fair value based on the Manager's reasonable estimates of value and the Manager's expectations for performance of the loan or other

investments. The fair value may be negatively affected by factors outside the knowledge or control of the Manager and may result in the actual fair value being materially different from that assigned by the Manager.

Monitoring and Enforcement Procedures

- From time to time, the Private LP will be required to take enforcement proceedings with respect to non-performing loans and may be required to liquidate a financing client's assets. Enforcement and liquidation proceedings can be time consuming and, if a sufficient number of loans require enforcement, the Manager may incur significant expenses that cannot be recovered.
- At any given time, financing clients may represent a risk of a loss to the Private LP. Such situations could arise where the collateral of the financing client falls below the outstanding loan balance, where the financial condition of the financing client has materially deteriorated, or where the financing client has otherwise failed to comply with its obligations.

Control Over Financing Clients

- The Private LP is not always in a position to exercise control over its financing clients or prevent decisions by the management or shareholders of a financing client that may affect the fair value of a Private LP loan, or otherwise affect the ability of the financing client to repay its obligations to the Private LP. Furthermore, the Private LP does not intend to take significant equity positions in its financing clients. The lack of liquidity of debt positions that the Private LP typically holds in its financing clients results in the risk that the Private LP may not be able to dispose of its exposure to the financing client in the instance where a financing client is underperforming. This could have a Material Adverse Effect.

Securities of Financing Clients

- The securities issued by private companies to the Private LP will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. To the extent the Private LP receives any form of securities issued by private companies, it may be difficult for the Private LP to dispose of such holdings if the need arises. Furthermore, if the Private LP is required to liquidate all or a portion of the securities it holds in an illiquid company, it may realize significantly less than the value at which it had previously recorded its holdings. In addition, the Private LP may face restrictions imposed by securities law on its ability to liquidate or otherwise trade in securities of a financing client, including, where the Private LP obtains material non-public information regarding such financing client.

Target Industry Specific Risks

Consumer Credit Financing Investments Risks

- Private LP's receivables may consist substantially or totally of "non-prime" consumer durables and automobile loan receivables originated under lending programs Private LP has designed to serve consumers who have limited access to traditional financing. There is a high degree of risk associated with non-prime borrowers.
- Private LP may depend on credit facilities with financial institutions to finance its funding of vehicle sales contracts. There can be no assurance that borrowings will be available to Private LP or available on acceptable terms in an amount sufficient to fund Private LP's needs.
- Private LP will have a significant amount of indebtedness. Its ability to make payments of principal and interest on the debt, or to refinance its indebtedness will depend on the Private LP's future operating performance and its ability to enter into additional debt and equity financings, which to a certain extent is subject to economic, financial, competitive and other factors beyond its control.
- Private LP's profitability will be directly affected by the level of and fluctuations in interest rates, which affect its ability to earn a gross interest rate spread.
- Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance. Also, federal, state and provincial laws impose restrictions on consumer

transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

- Private LP is subject to various federal, provincial, state and municipal laws and regulations. Such laws, regulations, and related rules and policies are administered by various federal, state, provincial and municipal agencies and other governmental authorities. New laws governing Private LP's business could be enacted and changes to any existing laws could have a significant impact on the business of Private LP.
- Any failure to perfect the security interest in Canada or the United States may result in a loss of priority position and restrict Private LP's ability to realize on the collateral, which may impact Private LP's financial position.

Commercial Credit Financing Investment Risk

- An investment in commercial loans, particularly mezzanine finance can require a long-term commitment. Many of Private LP investments will be highly illiquid and there can be no assurance that Private LP will be able to realize such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to Private LP.
- As Private LP may make only a limited number of investments, poor performance by a few of the investments could significantly affect the total returns to Private LP.
- In the event a Portfolio Company fails to meet projections, Private LP may suffer a partial or total loss of capital invested in that company. Therefore, there can be no assurance that Private LP will be able to realize the value of its investments and distribute proceeds in a timely manner.
- Private LP income and funds available for distribution to Unitholders would be adversely affected if a significant number of borrowers were unable to pay their obligations to Private LP or if Private LP were unable to invest their funds in mortgages or commercial loans on economically favourable terms.
- On default by a borrower, Private LP may experience delays in enforcing their rights as lender and may incur substantial costs in protecting its investment.

Factoring Investments Risk

- Private LP will be in the business of factoring its clients' receivables and making asset-based loans. Operating results can be adversely affected by large bankruptcies and/or insolvencies or defaults or the distress of a counterparty or major financial institution or government or other relevant entity.
- Private LP's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) will usually provide for rate adjustments in the event of interest rate changes so that Private LP's spreads are protected to some degree. However, Private LP's floating rate loans could substantially exceed its borrowings, and so Private LP may be exposed to some degree to interest rate fluctuations.
- Private LP may acquire or invest in businesses that expand or complement its current business and such acquisitions or investments may involve significant commitments of financial or other resources of Private LP; there can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for Private LP, or that financial or other resources committed to such activities will not be lost.

Real Estate Lending Investments Risk

- Investments in mortgages are affected by general economic conditions, local real estate markets, demand for leased premises, fluctuation and occupancy rates, operating expenses and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit Private LP's ability to vary Private LP's portfolio promptly in response to changing economic or investments conditions.
- Private LP's investments in mortgage loans will be secured by real estate. All Real Property investments are subject to elements of risk. While independent appraisals may be obtained before Private LP's makes any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not

necessary reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the Real Property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

- Private LP may from time to time take possession, through enforcement proceedings, of properties that secured defaulted mortgage loans to recover Private LP's investments in such mortgage loans. If Private LP subsequently decide to take possession of the property, Private LP could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property.
- Private LP's ability to make investments in accordance with Private LP's objective and investment policies depends upon the availability of suitable investments and the amount of funds available. There can be no assurance that the yields on the mortgages in the investment portfolio will be able to achieve satisfactory yields. An inability to find suitable investments may have an adverse effect on Private LP's ability to pay any distributions.
- The Canadian financial marketplace is characterized by a limited number of financial institutions that provide credit to entities such as Private LP. The limited availability of sources of credit may limit Private LP's ability to take advantage of leveraging opportunities to enhance the yield on Private LP's mortgage and real estate investments.
- The composition of Private LP's mortgage portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the portfolio being less diversified than anticipated. A lack of diversification may result in Private LP being exposed to local, state, provincial, national, or global economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.
- After the funding of an investment, Private LP will rely on borrowers to maintain adequate insurance and proper adherence to environmental regulations during the ongoing management of their properties.
- Global financial and real estate markets have recently experienced dramatic change, which is often referred to as the Global Financial Crisis or "subprime crisis". Real estate markets during this period experienced a weakened demand for real estate, distressed investments and financial firms that resulted in prices falling dramatically. That weakened demand has been coupled with the expansion of the global credit crisis into the Global Financial Crisis, which has had profound impact on the economies of many nations and global GDP. The changes to the financial and real estate markets were dramatic and significant in the short-term. Real estate markets may experience further dramatic changes, which may occur abruptly and unexpectedly due to the possibility of financial and systemic risk from a similar event or series of events, or the default of a major financial institution, financial investor or sovereign.

Health Care & Medical Investments Risk

- The healthcare industry in general is subject to regulation by a number of federal, state, provincial and local governmental agencies. The healthcare industry is also affected by federal, state, provincial and local policies developed to regulate the manner in which health care is provided, administered and paid for nationally and locally. As a result, the healthcare industry is sensitive to legislative and regulatory changes in such programs and is affected by reductions and limitations in governmental spending for such programs as well as changing healthcare policies, such as Medicare, and state and provincial health care plans. The enactment of other new legislation or the adoption of new regulations in health care, insurance, government entitlements, pensions and related human resources-related areas could have an adverse effect on the performance of the Private LP's investments and its operating results.
- Regulatory agencies inspect, survey and audit health care and medical facilities to review compliance with Applicable Laws and regulations. Despite the efforts of Private LP, there can be no assurance that these regulatory authorities will determine that all applicable requirements are fully met at any given time. A determination by any of these regulatory authorities that a facility is not in compliance with these requirements could lead to the imposition of requirements that the facility takes corrective action, assessment

of fines and penalties, or loss of licensure, certification or accreditation. These consequences could have a Material Adverse Effect on Private LP's investments.

- There are a number of federal, state, provincial and local laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information. There can be no assurance that a breach of privacy or security will not occur. If there is a breach, various penalties and damages may be imposed and costs may be incurred by Private LP to mitigate the impact of the breach on affected individuals.
- Private LP will depend on the ability of its operators to bill and collect on a timely basis pursuant to health care and medical regulations and rules. Failure to do so could subject Private LP to payment delays that could negatively impact its business, financial position, results of operations and liquidity.
- Success in the industry is partially dependent upon the admissions and referral practices of physicians and other regulated health care professionals. If operators are unable to successfully cultivate and maintain strong relationships with these physicians, patient flow at facilities may decrease, which could have an adverse impact on Private LP's investments.
- The market for qualified healthcare professionals is highly competitive. The Trust will be depending on operators to attract and retain qualified healthcare personnel. Private LP can provide no assurance that its operators it will be able to attract and retain qualified healthcare professionals in the future. Additionally, the cost of attracting and retaining qualified healthcare personnel may be higher than anticipated, and as a result, profitability could decline or be materially impacted.
- Physicians, hospitals and other healthcare providers have become subject to an increasing number of legal actions alleging malpractice, product liability, class actions or related legal theories, all of which may impact Private LP's investments.

Energy Investments Risk

- The energy sector is affected by the cost of natural gas, the price of natural gas liquids and the price of electricity, and other energy forms, and commodities.
- The energy sector is subject to extensive federal, provincial, and local environmental protection laws. These laws concern emissions to the air, discharges to surface and subsurface waters, land use activities, and the handling, manufacturing, processing, use, emission and disposal of materials and waste products. These existing and proposed environmental regulations could have a material impact on future financial performance.
- Renewable resources risk is an operational risk concerning the dependence of power production on adequate resources such as wind, sunlight and water flow. Inadequate wind, sunlight or water flow leads to lower power production, which results in lower revenues.

Infrastructure Investments Risk

- Development risk is an operational risk concerning the construction of new power generation facilities. Delays and cost overruns in the construction of new facilities could lead to lower cash flows resulting in lost revenue and impairment of any capitalized costs for the facility.
- Obtaining new contract awards, which is a key component for the sustainability of net income for many operators in the infrastructure industry, is a risk factor in a competitive environment. A substantial portion of revenue and profitability is generated from large-scale project awards. The timing of when project awards will be made is unpredictable and outside of Private LP's control. It is difficult to predict whether and when operators will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a wide variety of factors including governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. Because a significant portion of revenue is generated from large projects, results of operations can fluctuate from quarter to quarter and year-to-year depending on whether and when project awards occur and the commencement and progress of work under awarded contracts.

- Fluctuating demand cycles are common in the engineering and construction industries and can have a significant impact on the degree of competition for available projects and the awarding of new contracts. As such, fluctuations in the demand for engineering and construction services or the ability of the private and/or public sector to fund projects in a depressed economic climate could adversely affect the awarding of new contracts and margin and thus Private LP's investments.
- The infrastructure sector is subject to the normal risks faced by regulated companies. These risks include the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on rate base.
- Investments in infrastructure and infrastructure-related companies will be subject to the risks incidental to the ownership and operation of infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, government regulations, fluctuations in interest rates and ability to find financing for infrastructure projects on acceptable terms, if at all. In addition, general economic conditions, as well as conditions of domestic and international financial markets may adversely affect operations of infrastructure and infrastructure-related companies.
- Infrastructure investments involve long-term risks that may be difficult or impossible to predict in the short term. The long duration of infrastructure investments, which may be years to decades long, is subject to investment duration, liquidity, government change, tax, interest rate, and other risks.

Resource Investments Risk

- Changes in the market price of the commodities that will affect the profitability of the resource allocation of the Trust and the revenue generated therefrom. Similarly, the increase in expenses associated with resource investments, including human resources, energy, commodities price, equipment, and other uncertainties, may impact the profitability of resource investments.
- The operation of the properties in which the Trust may hold an interest may be generally determined by third party property owners and operators, and the Trust may have limited decision-making power as to how these properties are operated, and the operators' failure to perform could affect the revenues generated from investments by the Trust.
- The Trust will have limited access to data and disclosure regarding the operation of properties, which will affect its ability to assess the royalty's/stream's performance.
- The Trust will be depending upon its operators for the calculation of royalty/stream payments. It may not be able to detect errors and payment calculations may call for retroactive adjustments or there may be delays related to recovering from this risk.
- The Trust will be dependent on the payment of cash flow by the owners and operators of the relevant properties and any delay in or failure of such cash flow will affect the revenues generated by the asset portfolio.
- Certain royalty/cash flow interests and working interests will be subject to rights in favour of others or third parties that could adversely affect the revenues generated from the asset portfolio.
- The asset portfolio may include a number of royalty interests based on net profits, and the revenue derived from such royalty interests may be dependent upon factors beyond the control of Private LP that may have an adverse effect on the overall revenues generated by the asset portfolio.
- Private LP may indirectly enter into acquisitions or other material royalty or steaming transactions at any time and may involve the issuance of securities by Private LP or the incurring of indebtedness to fund any such acquisition. In addition, any such acquisition or other royalty or streaming transaction may have other transaction specific risks associated with it, including risks related to the completion of the transaction, the project operators or the jurisdictions in which assets may be acquired.
- Increased competition for royalty/stream interests and resource investments could adversely affect Private LP's ability to acquire royalties, streams and other investments. There may be unknown defects in the asset

portfolio. A defect in a royalty, stream, working interest or equity interest and/or the underlying contract may arise to defeat or impair the claim of Private LP to such royalty, stream, working interest or equity interest.

- Private LP's revenue, earnings, the value of its treasury and the value it records for its royalty assets will be subject to variations in foreign exchange rates, which may adversely affect the revenue generated by the asset portfolio or cause adjustments to the recorded value of assets.
- Potential litigation affecting the properties in which Private LP may hold its royalty/stream interests could have an adverse effect on Private LP.
- The Private LP is subject to the same risk factors as the properties in which it holds a royalty, stream or other interests. To the extent that they relate to the production of minerals or oil and natural gas from, or the continued operation of the properties in which Private LP hold a royalty, stream or interest, Private LP will be subject to the risk factors applicable to the owners and operators of such mines or projects.
- Reserves and resources are estimates based on interpretation and assumptions and actual production may differ from amounts identified in such estimates.
- The exploration and development of mining and resource properties is inherently dangerous and subject to risks beyond the control of Private LP.
- Title defects may result in a loss of entitlement to a property.
- The operations in which Private LP may hold a royalty, steam or other interest may require various property rights, permits and licenses in order to conduct current and future operations, and delays or else a failure to obtain or maintain such property rights, permits and licenses, or a failure to comply with the terms of any of such property rights, permits and licenses could result in interruption or closure of operations or exploration on the properties.
- Private LP will be exposed to risks related to the permitting, construction, development and/or expansion in relation to the projects and properties it holds a royalty, stream or other interest.
- Private LP will be exposed to risks of changing political attitudes, rules, regulations, protests, activist activities, unions, administrative panels, and changes in licensing, approvals, or grants for the individual investment or the local, provincial, state or national industry at large and stability and ensuing changes in government regulation, decisions, court decisions or awards in the countries in which it may hold a royalty, stream or other interest.
- The risks and hazards associated with the business of development and mining on any of the properties in which Private LP hold a royalty, stream or other interest, including, but not limited to unusual or unexpected geological and metallurgical conditions, slope failures or cave-ins, flooding and other natural disasters, political change, court decisions, licensing changes, civil protests or civil unrest.
- Producing oil and gas requires high levels of investment and involves particular risks and uncertainties. Private LP's investments in oil and gas may be susceptible to loss of production, slowdowns and shutdowns. The costs associated with production, including drilling wells, can entail significant capital outlays. The operating costs associated with oil and gas production are largely fixed in the short-term and, as a result, operating costs per unit are largely dependent on levels of production.
- Crude oil prices are impacted by a number of factors including, but not limited to: the supply of and demand for crude oil; global economic conditions; the actions of the Organization of Petroleum Exporting Countries; government regulation; political stability; the ability to transport crude to markets; the availability of alternate fuel sources; and weather conditions. Private LP's natural gas price realizations are impacted by a number of factors including, but not limited to: North American supply and demand; developments related to the market for liquefied natural gas; weather conditions; and prices of alternate sources of energy. All of these factors are beyond Private LP's control and can result in a high degree of price volatility. Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in U.S. dollars, are stated in Canadian dollars.

Technology Industry Risk

- Technology issuers' rapid growth may not be sustainable and depends on its ability to attract new clients, and may not retain existing contracts, clients.
- Technology issuers' limited operating history in new and developing markets makes it difficult to evaluate long-term viability.
- Technology issuers may fail to improve and enhance the functionality, performance, reliability, design, security and scalability of its technology platform, products and services in a manner that responds to the evolving needs of its technology clients.
- Security breaches, denial of service attacks, or other hacking and phishing attacks on systems or other security breaches could delay or interrupt service to a technology issuer's clients and their customers, and this may harm the issuer's reputation or subject it to significant liability, litigation, and adversely affect its business and financial results and ability to service loans from the Private LP.
- The technology issuer and investment may store personal, private, health or credit information that may be compromised or otherwise subjected to unauthorized access, the technology issuer's reputation may be harmed and it may be exposed to liability and loss of business.
- If a technology issuer's products and services contains serious errors or defects, it may lose revenue and market acceptance and may incur costs to defend or settle claims with its clients or third parties impacted by product liability, privacy or other legal claims.
- Technology issuers use a limited number of data centers, and service providers such as Google and Amazon to deliver its services. Any disruption of service at these facilities or counterparties could harm the technology issuer's business and ability to remain viable and service any debt, loan, debenture or other fixed income product.
- Technology issuers may be impacted in material ways if business and prospects would be harmed if changes to technologies used in platforms, competition, or new versions or upgrades of operating systems, software and internet browsers adversely impact the issuer's business processes.
- A Technology issuers' business is susceptible to risks associated with international sales, competition and the adoption and use of platforms, software, SAAS, and services in various countries. This may also be subject to illegal use and hacking to undermine royalties, revenues from intellectual property and undermine the business model of the technology firm.
- New tax laws could be enacted or existing laws could be applied to technology firms that would impair profitability and reduce viability of certain business models in technology issuers and the industry.

Service Industry Risk

- The services industry and service issuers to a significant extent, the service issuers' prospects, depend on its ability to attract a sufficient number of skilled workers for the industry. In certain sub-industries this may be dependent on foreign workers, and are subject to visa restrictions and immigration policies and limits.
- A major subcontractor default or failure to properly manage subcontractor performance could materially impact results in the services. There is brand risk related to services where an incident or negative press can materially impact the service provider and long-term viability and ability to service debts, loans or other obligations.
- Service industry issuers may be subject to regulatory claims, legal claims, class action or individual litigation that may result in unfavorable outcomes that could materially impact the service industry issuer's financial position, and ability to manage contractors or other employees.
- Capital requirements may impact the availability of working capital and growth prospects for the industry and individual service industry issuers.

- Access to adequate human resources may be unavailable in the future due to economic or other external or political factors.
- Extended periods of poor economic conditions can have an adverse effect on a service industry issuer's revenues and profitability. These factors, together or individually, may impact the ability of any issuer to service their debt to the Private LP, and may result in the default, delay in payment or total loss of capital for the Private LP's investment.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Trust. Prospective investors should read this entire Offering Memorandum and consult their own counsel and financial advisors before deciding to invest in the Trust.

Neither the Trust, the Trustee, the Manager nor the General Partner is responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Units having regard to any such investment needs and objectives of the potential investor.

REPORTING OBLIGATIONS

The Trust is not a "reporting issuer" or equivalent under the securities legislation of any jurisdiction. Accordingly, the Trust is not subject to the continuous disclosure requirements of any securities legislation and there is therefore no requirement that the Trust make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Trust.

Notwithstanding the foregoing, the Trust will report to Unitholders on the following basis:

- (a) Within 60 days of the end of each Redemption Period, other than the final Redemption Period of a calendar year, the Trustee will make reasonably available to Unitholders the Trust's quarterly report, including written commentary outlining highlights of the Private LP and Public LP's activities during such Redemption Period.
- (a) Subject to Applicable Law, within 120 days of the end of the final Redemption Period of a calendar year (or within such shorter time as may be required by applicable securities law), the Trustee will make reasonably available to Unitholders the Trust's annual report, including without limitation:
 - (i) written commentary about the Trust, including outlining highlights of the Private LP and Public LP's activities during the preceding calendar year; and
 - (ii) the audited statements of the Trust for the most recently completed fiscal year, together with comparative audited financial statements for the preceding fiscal year, if any, and the report of the Auditor thereon. Such financial statements shall be prepared in accordance with generally accepted accounting principles or international financial reporting standards (IFRS); provided that such statements may vary from such principles to the extent required to comply with applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities; and
- (b) Subject to Applicable Law, notice of:
 - (i) a change in the Trust's financial year end;
 - (ii) discontinuation of the Trust's business;
 - (iii) a change in the Trust's industry; or
 - (iv) a change of control of the Trust.

For purposes of the foregoing, the term "**make reasonably available to Unitholders**" means the documents will be mailed to Unitholders or Unitholders will receive notice that the disclosure documents can be viewed on the Trust's public website accessible by all Unitholders (which may be a password protected website).

The Trustee or Pinnacle will, within the time required under the Tax Act, forward to each Unitholder who received distributions from the Trust in the prior calendar year, such information and forms as may be needed by the Unitholder

in order to complete its income tax return in respect of the prior calendar year under the Tax Act and equivalent provincial legislation in Canada.

The Trust may deliver to prospective investors certain documents, including this Offering Memorandum, a subscription agreement and any updates or amendments to the Offering Memorandum, from time to time by way of facsimile or e-mail. In accordance with the terms of the subscription agreement provided to prospective investors, delivery of such documents by email or facsimile shall constitute valid and effective delivery of such documents unless the Trust receives actual notice that such electronic delivery failed. Unless the Trust receives actual notice that the electronic delivery failed, the Trust is entitled to assume that the facsimile or e-mail and the attached documents were actually received by the prospective investor and the Trust will have no obligation to verify actual receipt of such electronic delivery by the prospective investor.

Financial or other information relating to the Trust and provided to Unitholders by the Trust in the future may not by itself be sufficient for Unitholders to assess the performance of the Trust or the performance of an investment in Units.

SUBSCRIPTION PROCEDURE

Minimum Subscription Amount

The minimum subscription amount is set out below:

Series (Class I, II or III ⁽¹⁾)	Minimum Amount (\$)
Series A	\$10,000 ⁽²⁾
Series B	\$250,000 ⁽²⁾
Series F	\$1,000,000 ⁽³⁾
Series S	\$25,000

Notes:

- (1) Class I and II are available in series A and series F only.
- (2) A lesser minimum amount may be accepted by the Trustee in its sole discretion.
- (3) A lesser minimum amount may be negotiated between the Trustee and the Subscriber.

Subscription Documents

Subscribers will be required to enter into a Subscription Agreement with the Trust which will contain, among other things, representations, warranties and covenants by the Subscriber that (a) it is duly authorized to purchase the Units; (b) it is purchasing the Units as principal and for investment and not with a view to resale; (c) as to its corporate or other status to purchase the Units; and (d) the Trust is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under applicable securities laws, and, as a consequence of acquiring the securities pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber. Prior to making an investment in Units, Subscribers should review the terms of these representations, warranties and covenants. In order to subscribe for Units, a Subscriber must complete, execute and deliver to Pinnacle Absolute Return Trust Corporation at Suite 250 - 15 Royal Vista Place NW, Calgary, Alberta T3R 0P3 the following documentation:

1. a complete and executed Subscription Agreement which accompanies this Offering Memorandum, including all applicable schedules, appendices and/or exhibits thereto; and
2. any other documents that are duly completed and executed, as applicable, and deemed necessary to comply with applicable securities laws or otherwise.

In addition, a Subscriber must pay the aggregate subscription price for the Units purchased made payable to Pinnacle Absolute Return Trust Corp.

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

The consideration tendered by each Subscriber will be held “in trust” for a period of two Business Days after the date the subscription agreement is signed during which period the Subscriber may request a return of the tendered consideration by delivering a notice to the Trustee not later than midnight on the second Business Day after the Subscriber signs the Subscription Agreement.

The Trust is in the process of setting up an account with FundSERV to process trades and will provide the appropriate FundSERV codes in connection with each Class and series of Unit, if and when such an account is set up with FundSERV.

Neither the Trust, the Trustee nor any other affiliate or associate of the foregoing, other than Pinnacle in its capacity as an exempt market dealer and not as Manager, is responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Units having regard to any such investment needs and objectives of the potential investor.

Selling Jurisdictions

The Offering is being made pursuant to the exemptions from the prospectus requirements contained in the applicable securities laws in the Selling Jurisdictions pursuant to the exemptions from the prospectus requirements including, but not limited to, Section 2.9 of NI 45-106 (the “**Offering Memorandum Exemption**”) and Section 2.3 of NI 45-106 (the “**Accredited Investor Exemption**”).

The Offering Memorandum Exemption and the Accredited Investor Exemption is available for distributions to Subscribers resident in the Selling Jurisdictions purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a Risk Acknowledgment Form.

The Accredited Investor Exemption is available for distributions to Subscribers resident in the Selling Jurisdictions purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and, for those accredited investors who are individuals, who sign a Risk Acknowledgment Form.

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

RESALE RESTRICTIONS

General

The Units will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Additionally, Unitholders will not be permitted to transfer their securities without the consent of the Trustee or the Manager. See “*Summary of the Trust Indenture – Units – Transfer of Units*”.

Restricted Period

Unless permitted under securities legislation, you cannot trade the securities before the date that is four (4) months and a day after the date the Trust becomes a reporting issuer in any province or territory of Canada.

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

- (a) the Trust has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
- (b) you have held these securities for at least twelve months.

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

Since the Trust is not a reporting issuer in any province or territory, the applicable hold period for Subscribers may never expire, and if no further exemption may be relied upon and if no discretionary order is obtained, this could result in a Subscriber having to hold the Units acquired under the Offering for an indefinite period of time.

The Trustee or Pinnacle must approve of any proposed disposition. It is the responsibility of each individual Subscriber to ensure that all forms required by the applicable securities legislation are filed as required upon disposition of the Units acquired pursuant to this Offering.

The foregoing is a summary only of resale restrictions relevant to a Subscriber of the securities offered hereunder. It is not intended to be exhaustive. All Subscribers under this Offering should consult with their legal advisors to determine the applicable restrictions governing resale of the securities purchased hereunder including the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or obtaining a discretionary order.

PURCHASER'S RIGHTS

If you purchase Units you will have certain rights, some of which are described below. These rights may not be available to you if you purchase the Units pursuant to a prospectus exemption other than the offering memorandum exemption in section 2.9 of National Instrument 45-106 *Prospectus and Registration Exemptions*. For information about your rights you should consult a lawyer.

Two Day Cancellation Right

You can cancel your agreement to purchase these Units. To do so, you must send a notice to us by midnight on the second (2nd) Business Day after you sign the agreement to buy the Units.

Statutory and Contractual Rights of Action in the Event of a Misrepresentation

Securities legislation in the provinces of Canada provide Subscribers, in addition to any other rights they may have at law, with a remedy for rescission or damages, or both, where an offering memorandum, or any amendment thereto, contains a misrepresentation. A "misrepresentation" is generally defined under applicable securities laws as an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the Subscriber within the time limit prescribed, and are subject to the defences contained, in the applicable securities legislation.

Subscribers for Units resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual right similar to the statutory right of action and rescission described below for Subscribers resident in Ontario and such right will form part of the subscription agreement to be entered into between each such Subscriber and the Trust in connection with this Offering.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces of Canada and the regulations, rules and policy statements thereunder. Subscribers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that Subscribers may have at law.

Rights of Subscribers in Ontario

Ontario Securities Commission Rule 45-501 – Ontario Prospectus and Registration Exemptions provides that when an offering memorandum, such as the Offering Memorandum, is delivered to a Subscriber to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106, the right of action referred to in Section 130.1 ("Section 130.1") of the *Securities Act* (Ontario) (the "Ontario Act") is applicable, unless the prospective Subscriber is:

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

The right of action referred to in Section 130.1 is also applicable to a Subscriber to whom securities are distributed in reliance upon the “minimum amount investment” prospectus exemption in Section 2.10 of NI 45-106 and the “founder, control person and family – Ontario” prospectus exemption in Section 2.7 of NI 45-106.

Section 130.1 provides such Subscribers who purchase securities offered by an offering memorandum with a statutory right of action against the issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a “misrepresentation”. In Ontario, the term “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the Subscriber within the time limits prescribed by applicable securities laws.

Where the Offering Memorandum is delivered to a prospective Subscriber of securities in connection with a trade made in reliance on either Section 2.3 or Section 2.10 of NI 45-106, and the Offering Memorandum contains a misrepresentation, the Subscriber will have, without regard to whether the Subscriber relied on the misrepresentation, a statutory right of action against the Trust for damages or, while still the owner of the securities, for rescission, in which case, if the Subscriber elects to exercise the right of rescission, the Subscriber will have no right of action for damages, provided that the right of action for rescission will be exercisable by the Subscriber only if the Subscriber gives notice to the Trust, not more than 180 days after the date of the transaction that gave rise to the cause of action, that the Subscriber is exercising such right; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The Trust will not be liable for a misrepresentation if it proves that the Subscriber purchased securities with knowledge of a misrepresentation. In an action for damages, the Trust will not be liable for all or any portion of the damages that the Trust proves do not represent the depreciation in value of securities as a result of a misrepresentation relied upon. In no case will the amount recoverable for a misrepresentation exceed the price at which the securities were offered.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the Subscriber may have at law.

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

Rights of Subscribers in Saskatchewan

Section 138 of the *Securities Act*, 1988 (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum, such as the Offering Memorandum, or any amendment to it is sent or delivered to a Subscriber and it contains a misrepresentation (as defined in the Saskatchewan Act), a Subscriber who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;

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

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

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

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

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

Not all defences upon which the Trust or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing. Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective Subscriber that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the Subscriber has, without regard to

whether the Subscriber relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

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

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

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a Subscriber may have at law. Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

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

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

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

Rights of Subscribers in Manitoba

Pursuant to section 141.1(1) ("**Section 141.1(1)**") of the *Securities Act* (Manitoba) (the "**Manitoba Act**"), where an offering memorandum, such as the Offering Memorandum, or any amendment to an offering memorandum, is sent or delivered to a Subscriber in the Province of Manitoba and such document contains a misrepresentation, a Subscriber to whom the offering memorandum has been delivered and who purchases securities in the offering contemplated by this document or any amendment to this document is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the defences described in the Manitoba Act, has:

- (a) a right of action for damages against:
 - (i) the Trust;
 - (ii) every director of the Trust at the date of this document or any amendment to this document; and
 - (iii) every person or company who signed this document or any amendment to this document; and
- (b) a right of rescission against the Trust;

provided that:

- (c) no person or company is liable if the person or company proves that the Subscriber purchased securities with knowledge of the misrepresentation;

- (d) in an action for damages, the defendant is not liable for all or any part of the damages that he, she or it proves do not represent the depreciation in value of securities resulting from the misrepresentation relied on; and
- (e) in no case will the amount recovered exceed the price at which securities were offered under this document or any amendment to this document.

Where a Subscriber elects to exercise a right of rescission against the Trust, the Subscriber will have no right of action for damages against the Trust or against a person or company referred to in (a)(ii) or (iii) above.

No person or company is liable:

- (a) if the person or company proves that this document or any amendment to this document was sent without the person's or company's knowledge or consent and that, after becoming aware of its being sent, the person or company promptly gave reasonable notice to the Trust that it was sent without the person's or company's knowledge and consent;
- (b) if the person or company proves that, after becoming aware of any misrepresentation in this document or any amendment to this document, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Trust of the person's or company's withdrawal and the reason for it;
- (c) if the person or company proves that with respect to any part of this document or of any amendment to this document purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation; or
 - (ii) the relevant part of this document or of the amendment to this document:
 - (A) did not fairly represent the report, opinion or statement of the expert; or
 - (B) was not a fair copy of, or extract from, the report, opinion or statement of the expert; or
- (d) with respect to any part of this document or of any amendment to this document not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:
 - (i) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or that is deemed incorporated into, this document or any amendment to this document, the misrepresentation is deemed to be contained in this document or any amendment to this document.

Pursuant to Section 141.4, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

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

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

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

Rights of Subscribers in Nova Scotia

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

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

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

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

Furthermore, no person or company (other than the issuer if it is the seller) will be liable under section 138 of the *Securities Act* (Nova Scotia) with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting

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

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

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

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

Rights of Subscribers in Newfoundland and Labrador

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

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

- (a) where the person or company proves that the Subscriber purchased the securities with knowledge of the misrepresentation;
- (b) where the person or company proves that the offering memorandum was sent to the Subscriber without the person’s or company’s knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (c) if the person or company proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person’s or company’s consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (d) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - (i) there had been a misrepresentation; or
 - (ii) the relevant part of the offering memorandum:
 - (A) did not fairly represent the report, opinion or statement of the expert; or

- (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (e) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:
 - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (ii) believed there had been a misrepresentation;
- (f) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (g) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

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

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

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

Rights of Subscribers in Prince Edward Island

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

- (a) no action will be commenced to enforce the right of action for rescission by a Subscriber, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;
- (b) in the case of any action other than an action for rescission:
 - (i) 180 days after the Subscriber first had knowledge of the facts given rise to the cause of action; or
 - (ii) three years after the date of the transaction giving rise to the cause of action or whichever period expires first;
- (c) no person will be liable if the person proves that the Subscriber purchased the security with knowledge of the misrepresentation;

- (d) no person other than the issuer and selling securityholder will be liable if the person proves that
- (i) the offering memorandum was sent to the Subscriber without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
 - (ii) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that:
 - (A) there had been a misrepresentation; or
 - (B) the relevant part of the offering memorandum:
 - (I) did not fairly represent the report, statement or opinion of the expert; or
 - (II) was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

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

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

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

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the Subscriber may have at law.

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

Rights of Subscribers in New Brunswick

New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 ("**Section 150**") of the *Securities Act* (New Brunswick) (the "**New Brunswick Act**") apply to information relating to an offering memorandum, such as the Offering Memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on either the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106 or the "minimum amount investment" exemption in Section 2.10 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the New Brunswick Act with a statutory right of action against the issuer of securities for rescission or damages in the event that an offering memorandum provided to the Subscriber contains a "misrepresentation". In New Brunswick, "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this document is delivered to a prospective Subscriber of securities in connection with a trade made in reliance on either Section 2.3 of NI 45-106 or Section 2.10 of NI 45-106, and this document contains a misrepresentation, a Subscriber who purchases securities will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Trust for damages or, while still the owner of securities, for rescission, in which case, if the Subscriber elects to exercise the right of rescission, the Subscriber will have no right of action for damages, provided that the right of action for rescission will be exercisable by the Subscriber only if the Subscriber commences an action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the

earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) six years after the date of the transaction that gave rise to the cause of action.

The defendant will not be liable for a misrepresentation if it proves that the Subscriber purchased securities with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of securities as a result of the misrepresentation relied upon.

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

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the Subscriber may have at law.

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

Rights of Subscribers in Yukon, Nunavut and the Northwest Territories

In Yukon, the *Securities Act* (Yukon), in Nunavut, the *Securities Act* (Nunavut) and in the Northwest Territories, the *Securities Act* (Northwest Territories) provides a statutory right of action for damages or rescission to investors resident in Yukon, Nunavut and Northwest Territories respectively, in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, which rights are similar, but not identical, to the rights available to Ontario investors.

Rights of Subscribers in Alberta, British Columbia, and Quebec

Subscribers in Alberta, British Columbia and Quebec are not entitled to the statutory rights under Applicable Law, but pursuant to the Subscription Agreement, are contractually entitled to the same rights of action as Subscribers in Ontario.

INDEPENDENT AUDITORS

The auditors of the Trust are KPMG LLP, Chartered Professional Accountants, who are located at 3100, 205 – 5th Avenue SW, Calgary, Alberta T2P 4B9. The latest financial report of the independent auditor is set out below:

Financial Statements of

PINNACLE ABSOLUTE RETURN TRUST

Period from commencement of operations March 31, 2016
to December 31, 2016

(Expressed in Canadian dollars)



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
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INDEPENDENT AUDITOR REPORT

To the Trustees of the Pinnacle Absolute Return Trust

We have audited the accompanying financial statements of Pinnacle Absolute Return Trust, which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period from commencement of operations from March 31, 2016 to December 31, 2016, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pinnacle Absolute Return Trust as at December 31, 2016, and its financial performance and its cash flows for the period from commencement of operations from March 31, 2016 to December 31, 2016 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Professional Accountants

April 28, 2017
Calgary, Canada

Pinnacle Absolute Return Trust

Statement of Financial Position

As at December 31, 2016

	December 31, 2016
ASSETS	
Current assets	
Cash	\$ 94,424
Subscriptions receivable	80,000
Investments in Private LP	8,010,760
Investments in Public LP	3,357,797
Due from Private LP and Public LP	1,783,077
	<u>\$ 13,326,058</u>
LIABILITIES	
Current liabilities	
Performance fee payable (Note 5)	\$ 999
Management fees payable (Note 5)	17,877
Distributions payable (Note 6)	65,079
Offering costs payable	380,650
Unit subscriptions received in advance	1,679,629
Accounts payable and accrued liabilities	131,117
	<u>2,275,351</u>
Net Assets Attributable to Holders of Redeemable Units	<u>11,050,707</u>
	<u>\$ 13,326,058</u>
Net Assets Attributable to Holders of Redeemable Units per Class	
Class I Series A	\$ 5,605,230
Class I Series B	836,857
Class II Series A	2,500,732
Class II Series B	377,562
Class III Series B	1,730,326
	<u>\$ 11,050,707</u>
Number of Redeemable Units Outstanding (note 6)	
Class I Series A	590,389
Class I Series B	88,065
Class II Series A	255,922
Class II Series B	40,052
Class III Series B	183,068
Net Assets Attributable to Holders of Redeemable Units per Unit	
Class I Series A	\$ 9.49
Class I Series B	9.50
Class II Series A	9.77
Class II Series B	9.43
Class III Series B	9.45

See accompanying notes to financial statements.

Pinnacle Absolute Return Trust

Statement of Comprehensive Income

For the period from commencement of operations, March 31, 2016 to December 31, 2016

	2016
Income	
Interest income	\$ 399,477
Net change in unrealized appreciation in value of investments	23,093
	<u>422,570</u>
Expenses	
Offering expenses	464,950
Operating costs	215,067
Management fees (Note 5)	62,759
Legal fees	1,397
Performance fees (Note 5)	999
	<u>745,172</u>
Decrease in Net Assets Attributable to Holders of Redeemable Units	\$ (322,602)
Decrease in Net Assets Attributable to Holders of Redeemable Units per Class	
Class I Series A	\$ (140,464)
Class I Series B	(20,883)
Class II Series A	(114,556)
Class II Series B	(22,269)
Class III Series B	(24,430)
	<u>\$ (322,602)</u>
Weighted Average of Redeemable Units Outstanding During the Period	
Class I Series A	368,348
Class I Series B	69,576
Class II Series A	157,722
Class II Series B	40,026
Class III Series B	150,186
Decrease in Net Assets Attributable to Holders of Redeemable Units per Unit	
Class I Series A	\$ (0.38)
Class I Series B	(0.30)
Class II Series A	(0.73)
Class II Series B	(0.56)
Class III Series B	(0.16)

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

Pinnacle Absolute Return Trust

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

For the period from commencement of operations, March 31, 2016 to December 31, 2016

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Distribution to unitholders of redeemable units	Reinvestment of distributions to holders of redeemable units	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
December 31, 2016						
Class I Series A	\$ —	\$ 5,831,160	\$ (115,242)	\$ 29,776	\$ (140,464)	\$ 5,605,230
Class I Series B	—	870,000	(16,885)	4,625	(20,883)	836,857
Class II Series A	—	2,617,078	(6,544)	4,754	(114,556)	2,500,732
Class II Series B	—	400,000	(674)	505	(22,269)	377,562
Class III Series B	—	1,800,000	(59,333)	14,089	(24,430)	1,730,326
	\$ —	\$ 11,518,238	\$ (198,678)	\$ 53,749	\$ (322,602)	\$ 11,050,707

See accompanying notes to financial statements.

Pinnacle Absolute Return Trust

Statement of Cash Flows

For the period from commencement of operations, March 31, 2016 to December 31, 2016

	2016
Cash provided by (used in):	
Operating Activities	
Decrease in Net Assets Attributable to Holders of Redeemable Units	\$ (322,602)
Adjustments for non-cash items	
Net change in unrealized appreciation in value of investments	(23,093)
Change in non-cash balances	
Increase in subscriptions receivable	(80,000)
Increase in due from Private LP and Public LP	(1,783,077)
Increase in performance fee payable	999
Increase in distributions payable	65,079
Increase in management fees payable	17,877
Increase in offering costs payable	380,650
Increase in subscriptions received in advance	1,679,629
Increase in accounts payable and accrued liabilities	131,117
Purchase of investments	(11,345,464)
Cash used in operating activities	(11,278,885)
Financing Activities	
Proceeds from redeemable units issued	11,518,238
Distribution to unitholders of redeemable units, net of reinvestments	(144,929)
Cash provided by financing activities	11,373,309
Increase in cash and cash equivalents during the period	94,424
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	\$ 94,424
Supplemental information*	
Interest received	399,477

*Included as a part of cash flows from operating activities

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

Pinnacle Absolute Return Trust

Schedule of Investment Portfolio As at December 31, 2016

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Canadian Investment funds			
516,932	Pinnacle Diversified Private Income Limited Partnership – Class I Series A	\$ 5,169,323	\$ 5,169,323	46.78
77,126	Pinnacle Diversified Private Income Limited Partnership – Class I Series B	771,255	771,255	6.98
25,778	Pinnacle Diversified Private Income Limited Partnership – Class II Series A	257,782	257,782	2.33
3,940	Pinnacle Diversified Private Income Limited Partnership – Class II Series B	39,400	39,400	0.36
177,300	Pinnacle Diversified Private Income Limited Partnership – Class III Series B	1,773,000	1,773,000	16.04
801,078	Pinnacle Diversified Private Income Limited Partnership – Total	8,010,760	8,010,760	72.48
54,740	Pinnacle Diversified Public Investment Limited Partnership – Class I Series A	574,369	579,386	5.24
7,891	Pinnacle Diversified Public Investment Limited Partnership – Class I Series B	85,695	83,521	0.76
221,616	Pinnacle Diversified Public Investment Limited Partnership – Class II Series A	2,320,040	2,345,668	21.23
32,994	Pinnacle Diversified Public Investment Limited Partnership – Class II Series B	354,600	349,222	3.16
317,241	Pinnacle Diversified Public Investment Limited Partnership – Total	3,334,704	3,367,797	30.38
		11,345,464	11,368,557	102.88
	Net Investments owned	\$ 11,345,464	11,368,557	102.88
	Other liabilities, net		(317,850)	(2.88)
	Net Assets Attributable to Holders of Redeemable Units		\$ 11,050,707	100.00

See accompanying notes to financial statements.

Pinnacle Absolute Return Trust

Schedule of Investment Portfolio

Pinnacle Diversified Private Income Limited Partnership

As at December 31, 2016

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Canadian fixed income			
2,040,000	Private Investment - 1	\$ 2,040,000	\$ 2,040,000	25.47
4,267,594	Private Investment - 2	4,267,594	4,267,594	53.27
		<u>6,307,594</u>	<u>6,307,594</u>	<u>78.74</u>
	Total investments owned	6,307,594	6,307,594	78.74
	Other assets, net		<u>1,703,166</u>	<u>21.26</u>
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 8,010,760</u>	<u>100.00</u>

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

Pinnacle Absolute Return Trust

Schedule of Investment Portfolio

Pinnacle Diversified Public Investment Limited Partnership

As at December 31, 2016

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
219,343	Canadian investment fund Public Fund	\$ 3,813,056	\$ 3,836,301	114.25
	Net investments owned	\$ 3,813,056	3,836,301	114.25
	Other liabilities, net		(478,504)	(14.25)
	Net Assets Attributable to Holders of Redeemable Units		\$ 3,357,797	100.00

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

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

1. General information:

Pinnacle Absolute Return Trust (the "Trust") is an unincorporated open ended trust formed in the Province of Alberta pursuant to the Trust Indenture dated March 31, 2016. Pinnacle Asset Management Ltd. is the manager ("Manager") of the Trust. Pinnacle Absolute Return Trustee Corp., a corporation incorporated under the Alberta Canada Business Corporations Act on March 7, 2016, is the Trustee ("Trustee") of the Trust. The address of the Trust's head office is Suite 250 – 15 Royal Vista Place NW, Calgary, Alberta, T3R 0P3. The Trust was incorporated for the purpose of raising capital to invest funds in the Pinnacle Diversified Private Income Limited Partnership ("Private LP") and the Pinnacle Diversified Public Investment Limited Partnership ("Public LP").

The Trust investment objectives are to provide: (i) in the case of Class I and Class II Units only, income from the Trust's investment in the private portfolio (through the Private LP); (ii) in the case of Class I and Class II Units only, capital gains from the Trust's investment in the public portfolio (through the Public LP); and (iii) in the case of Class I and Class II Units only, lower volatility and increased risk-adjusted returns by bringing together two asset classes that are not strongly correlated to each other in one security (i.e., the Class I Units or the Class II Units, either of which gives exposure to both the private portfolio and the public portfolio) while maintaining the individual asset class returns. Class III Units provide investors indirect exposure to the investment performance of the Private Portfolio only.

The investment objectives of the Private LP are to invest in a diversified portfolio of private debt and/or equity securities of largely private issuers with good business models, experienced management teams and consistent and reliable cash flows capable of supporting a hurdle rate cash distribution of 7.0% to 9.0% per annum, after fees and expenses, depending on the Class and series of Unit purchased, plus potential additional performance distributions after the Private LP's year-end.

The investment objective of the Public LP is to achieve capital gains by investing in securities of one or more public funds managed by experienced and reputable investment managers with a proven track record, which public fund or public funds, in turn, invest in securities of reporting issuers purchased in the public markets where liquidity is generally more readily available than is the case for securities of private issuers.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 2

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

1. General information (continued):

The success of the Trust depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in equities, options, and other instruments and the use of leverage, including derivative hedge risk, market liquidity, short sales, portfolio turnover, foreign currency exposure, foreign market exposure, and interest rate fluctuations.

2. New and revised International Financial Reporting Standards ("IFRS"):

At the date of the financial statements (the "reporting date"), the following standards, relevant to the Trust, were in issue but not yet effective:

The final version of IFRS 9, Financial Instruments ("IFRS 9"), was issued by the IASB in July 2014 and will replace International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The revised standard adds guidance on the classification and measurement of financial liabilities. IFRS 9 is effective for fiscal years beginning on or after January 1, 2018. The Trust is in the process of assessing the impact of IFRS 9.

Amendments to IFRS 10, IFRS 12 AND IAS 28, inter alia, clarify that an investment entity may provide investment related services to third parties – even if those activities are substantial to the entity – as long as the entity continues to meet the definition of an investment entity. Based on the initial assessment, these amendments are not expected to have a material impact on the Fund as the Fund does not have any subsidiaries.

IFRS 15, Revenue from contracts with customers, was issued on May 28, 2014. The Standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue – Barter Transactions Involving Advertising Services. The new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is also permitted. The Trust is in the process of assessing the impact of IFRS 15.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 3

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

3. Significant accounting policies:

(a) Statement of compliance:

The financial statements have been prepared in accordance with IFRS. The financial statements were authorized for issue by the Manager on April 28, 2017.

(b) Basis of presentation:

The financial statements have been prepared on the historical cost basis except for the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The accounting policies have been applied consistently and the principle accounting policies are set out below.

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

(c) Foreign currency translation:

The financial statements are presented in Canadian dollars, which is both the presentation and the functional currency. Transactions in currencies other than the Trust's functional currency ("foreign currencies") are recorded at the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated.

Exchange differences are recognized in the statement of comprehensive income (loss) in the period in which they arise. Foreign exchange gains or losses from investments are presented in the statement of comprehensive income (loss) within "net changes in unrealized appreciation (depreciation) in value of investments". Monetary assets denominated in foreign currencies are reported separately in the statement of comprehensive loss with "net foreign currency loss".

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 4

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

(d) Financial assets and financial liabilities at FVTPL:

The Trust classifies its investments as financial assets or financial liabilities at FVTPL. These financial assets and financial liabilities are classified as held for trading or designated by the Manager at FVTPL upon initial recognition.

A financial asset or a financial liability is classified as held for trading if:

- it has been acquired (incurred) principally for the purpose of selling (repurchasing) in the near future; or
- on initial recognition it is part of an identified portfolio of financial instruments that the Trust manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or a financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Trust's documented risk management or investment strategy, and information about the grouping is provided internally in that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

(e) Financial instruments:

Financial instruments require disclosures about fair value measurements and liquidity risk. In particular, the disclosure of a fair value hierarchy having three levels of inputs based on the lowest level of input significant to the overall fair value. The hierarchy of inputs is summarized below:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 5

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

Refer to Note 8 for fair value measurement analysis.

Recognition and derecognition:

Financial assets and financial liabilities are recognized in the Trust's statement of financial position when the Trust becomes a party to the contractual provision of the instruments.

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Realized gains and losses on these investments are recorded in the statement of comprehensive income on the weighted average cost basis.

Other financial assets are derecognized and only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Trust derecognizes financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or they expire.

Measurement:

Financial assets and liabilities at FVTPL are initially recognized at fair value. Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value, excluding transaction costs which are expensed. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at FVTPL are presented in the statement of comprehensive income in the period in which they arise.

Financial assets, other than those at FVTPL are not quoted in an active market and are initially measured at fair value and subsequently measured at amortized cost using the effective interest method, if appropriate. These include cash, interest and dividends receivable, and due from related party.

Financial liabilities, other than those at FVTPL, are initially measured at fair value and subsequently measured at amortized cost using the effective interest method, if appropriate. These accounts include due to related parties, redemptions payable, distributions payable and accounts payable and accrued expenses, performance management fees payable, offering costs payable, and subscriptions received in advance.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 6

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

Fair value:

IFRS 13 indicates that for listed assets and liabilities, the best evidence of fair value is the last bid and offer prices per the quoted market.

The Trust values securities listed on recognized exchanges at the bid price in the case of a security held long and the offer price for securities sold short on the principal exchange for such investments at the close of business prior to the close of month end for which such calculation is to be made, provided always that:

- if the Manager at their discretion consider that the prices ruling on an exchange other than the principal exchange provide in all the circumstances a fairer criterion of value in relation to any such investment, they may adopt such prices; and
- the Manager may, at their absolute discretion, permit some other method of valuation to be used if they consider that such valuation better reflects the value.

Investments in private companies and other assets for which no published market exists are initially valued at cost and adjusted each reporting period, when appropriate, to reflect the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Manager.

If a recent arm's length transaction has not occurred in the reporting period, the fair value of the other financial assets and liabilities (other than derivative instruments) are determined in accordance with generally accepted valuation techniques, which may include pricing models based on discounted cash flow analysis and market multiples from observable current market transactions and/or dealer quotes for similar instruments.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 7

Period from commencement of operations from March 31, 2016 to December 31, 2016
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3. Significant accounting policies (continued):

(f) Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income.

(g) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Trust has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Trust measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Trust measures instruments quoted in an active market at a bid price.

If there is no quoted price in an active market, then the Trust uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(h) Investment entity:

The Trust has determined that they are an investment entity as defined by IFRS 10, Consolidated Financial Statements and the Amendments to IFRS 10, as the following conditions exist:

(i) The Trust has obtained funds from one or more investors for the purpose of providing those investors with investment management services;

(ii) The Trust has committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation and investment income; and

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 8

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

(h) Investment entity (continued):

(iii) The Trust measures and evaluates the performance of substantially all of their investments on a fair value basis.

As an investment entity, the Trust is exempted from consolidating particular subsidiaries and instead are required to measure their investments in these particular subsidiaries at fair value through profit and loss.

(i) Due from broker:

Due from broker includes cash, foreign cash and margin debit balances with the clearing broker. The Trust pays interest on margin debit balances as determined by the broker based on market rates.

(j) Income and expense recognition:

Interest income is recorded when it is probable that the economic benefit will flow to the Trust and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income is recognized when the unitholders right to receive payment has been established, normally the ex-dividend date. Other expenses are recorded on the accrual basis as they are incurred.

(k) Taxation:

The Trust qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act"), and accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. However, such part of the Trust's net income and net realized capital gains as is not so paid or payable, is subject to income tax. It is the intention of the Trust to distribute all of its income and sufficient net realizable capital gains so that the Trust will not be subject to income tax. The Trust may be subject to alternative minimum tax, potentially recoverable.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 9

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

4. Critical accounting judgments and key sources of estimation uncertainty:

In the application of the Trust's accounting policies, which are described in note 3, the Manager is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of securities not quoted in an active market:

The fair value of securities not quoted in an active market may be determined by the Trust using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative but not executable or binding. The Trust would exercise judgment in deciding on the quantity and quality of pricing sources used by assessing prices and quotes obtained for reasonableness, based on other available information and the average pattern of prices and quotes obtained in deciding on an estimated price. If there is no quoted price in an active market, then the Trust uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

5. Related party transactions and balances:

Related party transactions are incurred for management and incentive allocations. Balances are unsecured, interest free and to be settled in cash.

(a) Management fee:

Pursuant to the Portfolio Management Agreement, the Private LP and the Public LP, respectively, will pay the Management Fee to the Manager for acting as the portfolio manager. These rates vary by class and are reflective of the different Initial Allocation among Private LP Units and Public LP Units in connection with the three classes of Units.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 10

Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

5. Related party transactions and balances (continued):

(a) Management fee (continued):

	Class I			Class II			Class III	
	Series A	Series B	Series F	Series A	Series B	Series F	Series B	Series F
Management Fee	1.85%			0.75%			2%	

For the year ended December 31, 2016, the total management fee incurred and payable on a class/series basis are shown below:

Management Fee	Class I			Class II			Class III		Total
	Series A	Series B	Series F	Series A	Series B	Series F	Series B	Series F	
Management fee incurred	\$35,691	\$4,494	\$-	\$6,409	\$514	\$-	\$15,651	\$-	\$62,759
Management fee payable	\$10,421	\$1,557	\$-	\$2,119	\$320	\$-	\$3,460	\$-	\$17,877

(b) Performance fee:

A Performance Fee will only be payable to the Manager, if any, in connection with the performance of the Private Portfolio and not the Public Portfolio. It is anticipated that the Trust will have distributable cash in excess of the Hurdle Rate distributions made each month. Such surplus distributable cash is retained in the relevant Series Asset Pool and is characterized as the "Performance Pool" of such Class and series of Units. Each Performance Pool, if any, will be retained by the Trust until the end of the calendar year, at which time the aggregate amount of such surplus distributable cash, net of the applicable performance fee (the "Performance Distribution"), will be distributed to Unitholders. The amount of the Performance Distribution will vary depending on the Class and series of Unit held by the Unitholder. The two factors that impact the amount distributed on the annual Performance Distribution are: (i) the Hurdle Rate; and (ii) the Performance Fee, each of which can vary as between Classes and series of Units, as shown in table below. The Hurdle Rates vary across all series and increase from series A to series F. Every dollar in excess of the monthly proportionate payment of the Hurdle Rate will be retained in the Performance Pool of the relevant Class and series of Units. Since the lowest Hurdle Rate applies to the Class I series A Units and Class II series A Units, excess dollars will accumulate in these Performance Pool more quickly than will be the case for the other

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 11

Period from commencement of operations from March 31, 2016 to December 31, 2016
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5. Related party transactions and balances (continued):

(b) Performance fee (continued):

Performance Pools. At the end of the calendar year, the Performance Fee will be calculated for each Performance Pool by applying the percentage stated in table below to the balance in the Performance Pool, and the amount so calculated will be paid to the Manager in consideration of achieving the higher rate of return. The Trust will pay the Performance Fee, if any, to the Manager, which varies by Class and series of Units, as set out below.

	Class I			Class II			Class III	
	Series A	Series B	Series F	Series A	Series B	Series F	Series B	Series F
Hurdle Rate ⁽¹⁾⁽²⁾	7.0%	8.0%	9.0%	7.0%	8.0%	9.0%	8.0%	9.0%
Performance Fee ⁽²⁾⁽³⁾	40%	40%	20%	40%	40%	20%	40%	20%

- 1) The Hurdle Rate is expressed as an annualized percentage of the NAV per Private LP Unit of each Class and series calculated on the last Valuation Date of the year.
- 2) The Performance Fee is expressed as a percentage of the Performance Pool of a Private LP Class and series of Units payable at the end of the calendar year. The remaining percentage is paid to the Unitholders.
- 3) The Performance Pool of a Private LP Class and series of Units (less the amount paid as the Performance Fee to the Manager) will be shared prorata with investors depending on their date of investment.

For the year ended December 31, 2016, the total performance fee incurred and payable on the private portfolio class/series basis are shown below:

	Class I			Class II			Class III		
Performance Fee	Series A	Series B	Series F	Series A	Series B	Series F	Series B	Series F	Total
Performance fee Incurred	\$-	\$236	\$-	\$661	\$-	\$-	\$102	\$-	\$999
Performance fee payable	\$-	\$236	\$-	\$661	\$-	\$-	\$102	\$-	\$999

(c) Expenses allocation:

Pinnacle's Expense Allocation Policy prescribes the principles by which Pinnacle allocates expenses to the Trust and the Partnerships.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 12

Period from commencement of operations from March 31, 2016 to December 31, 2016
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5. Related party transactions and balances (continued):

(d) Related party loans:

During the fiscal year, the Private LP entered into 2 loan agreements with Pinnacle Wealth Brokers Inc. at a fixed rate of interest of 5% per annum on a commercial basis. The interest on the loans are due when the principal amount has been called upon. The loans are payable on demand. The following schedule outline the details of the loans received from Pinnacle Wealth Brokers Inc.

Transactions with Pinnacle Wealth Brokers Inc. ("Pinnacle")		2016 \$ CDN
Loans received from Pinnacle		
Loans received from Pinnacle - 1	\$	385,000
Loans received from Pinnacle - 2		250,000
Loan repaid		(385,000)
Total related party loans outstanding as at December 31, 2016		\$ 250,000

Total interest expense recorded in the Private LP during the period is \$7,005, of which \$6,267 is in accounts payable as at December 31, 2016.

(e) Other transactions with related parties:

One of the Directors for Pinnacle Absolute Return Trust is a common director for one of the investments under the Pinnacle Diversified Private Income LP Investments being "Private Investment – 1". During the fiscal period 2016, the Director received fees in the amount of \$6,300 from the Trust for services rendered for the three quarters since the Trust was formed on March 31, 2016. At December 31, 2016, there was \$3,150 owing to the Director.

6. Net assets attributable to holders of redeemable units:

(a) Issuance of redeemable units:

The Trust is authorized to issue an unlimited number of redeemable units, issuable in classes of Units, namely Class I, Class II and Class III Units, which shall be further divided into multiple series. There shall be no limit on the number of classes or series or, except as designated in the rights, restrictions and conditions of that Class or series, or on the number of any Units in any Class or series. Each unit of each class entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. Units of a class may be consolidated and/or subdivided by the Manager.

PINNACLE ABSOLUTE RETURN TRUST

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Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

6. Net assets attributable to holders of redeemable units (continued):

The unit activity during the period from commencement of operations from March 31, 2016 to December 31, 2016 is as follows:

	Redeemable Units, beginning of period	Subscription of Redeemable Units	Distribution reinvested in Redeemable Units	Redeemable Units, end of period
December 31, 2016				
Class I Series A	–	587,375	3,014	590,389
Class I Series B	–	87,597	468	88,065
Class II Series A	–	255,460	462	255,922
Class II Series B	–	40,000	52	40,052
Class III Series B	–	181,635	1,433	183,068

(b) Redemption of units:

Units of any class or series may be surrendered for redemption at any time following the date that is six months following the issuance of such Units at the demand of the Unitholder, subject to certain fees and conditions. The redemption policy only allows for quarterly redemptions. Any Unitholder seeking a redemption must give written notice to the Trustee stating its intention to redeem and the number and class of Units to be redeemed at least 60 days in advance of the desired Redemption Date.

If, as a result of a redemption of Units, there are no longer any Units of a particular series outstanding, then the amount of the Private LP Pool and Public LP Pool for such series of Units will be transferred by the Trustee on a pro rata basis to the Private LP Pools and Public LP Pools, respectively, of all other series of Units then outstanding.

The Trustee may, in its discretion, charge any redeeming Unitholder a redemption fee on the applicable redemption date equal to (i) up to \$150, and (ii) where the Units were issued not less than 6 months and not more than 12 months prior to such redemption date, an additional early redemption charge equal to 1.5% of the gross proceeds from the redemption of such Trust Units.

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Period from commencement of operations from March 31, 2016 to December 31, 2016
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6. Net assets attributable to holders of redeemable units (continued):

(c) Unit class rights and investment objectives:

Class I invest 90% of its assets, to purchase Private LP Units, and as to 10% of its assets, to purchase Public LP Units.

Class II invest 10% of its assets, to purchase Private LP Units, and as to 90% of its assets, to purchase Public LP Units.

Class III invest 100% of its assets, to purchase Private LP Units.

(d) Related party interest:

At December 31, 2016, 3.14% of the units of the Trust were held by related parties. The total trust units as at December 31, 2016 is 1,157,496. Related parties include members of the Manager, employees and family.

At December 31, 2016 Wesley Mills, Chief Investment Officer & Portfolio Manager has holdings in the Trust as follows:

- Class 3B Units of 36,433, Unit value \$9.8368, Market value \$358,387

(e) Distributions:

There are four main variables to determine the distribution at the Trust level (a) different exposure to Private LP Units; (b) different Target Distributions Rates between Trust Unit series; (c) different Hurdle Rates between Trust Unit series; and (d) different fees between Trust Unit Classes and series.

2016		From investment income	From return of capital	Total
	Class I:			
	Series A	\$ 46,271	\$ 68,971	\$ 115,242
	Series B	10,162	6,723	16,885
	Class II:			
	Series A	—	6,544	6,544
	Series B	—	674	674
	Class III:			
	Series B	35,051	24,282	59,333

(f) Reinvestment of distributions:

The Trust has adopted a distribution reinvestment plan ("DRIP") that will allow eligible Unitholders to elect to have their monthly cash distributions reinvested in additional Units of the same class on the distribution payment date at a purchase price equal to the NAV per Unit on the relevant date.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 15

Period from commencement of operations from March 31, 2016 to December 31, 2016
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7. Unit Subscriptions received in advance:

Unitholders deposits relate to cash received in advance of the issuance of the Trust units.

8. Classification of financial instruments – fair value measurement:

The following table summarizes the levels within the fair value hierarchy which measure the fair value measurements of the Trust's investments:

	Level 1	Level 2	Level 3	Total
Assets				
Public Fund	\$ 3,836,301	\$ –	\$ –	\$ 3,836,301
Private Fund	–	–	6,307,594	6,307,594
	\$ 3,836,301	\$ –	\$ 6,307,594	\$ 10,143,895

During the period ended December 31, 2016, the reconciliations of investments, all of which are private investments, measured at fair value using unobservable inputs (Level 3) are presented as follows:

	Private Investments
December 31, 2016	
Beginning balance	\$ –
Purchases	8,307,594
Sales	(2,000,000)
Other assets, net	1,703,166
Change in unrealized depreciation	–
Ending balance	\$ 8,010,760

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Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

8. Classification of financial instruments – fair value measurement (continued):

The table below sets out information about significant unobservable inputs used at December 31 2016 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Description	Fair value at December 31, 2016	Valuation technique	Unobservable input	Range of significant unobservable inputs	Sensitivity to changes in significant unobservable inputs
Unlisted private debt investments	\$ 8,010,760	Net asset value	n/a	n/a	n/a

9. Involvement with unconsolidated structured entities:

The tables below describe the types of structured entities that the Trust does not consolidate but in which they hold an interest.

2016:

Strategy	Number of Investee Funds	Net asset value of investee	Investment fair value	% of net assets attributable to holders of redeemable units
Private LP- Private loan	1	\$ 8,010,760	\$ 8,010,760	72.6
Public LP- Equity long/short	1	3,357,797	3,357,797	30.4

10. Financial instruments and associated risks:

The Trust's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. An investment in the Trust is speculative and involves a high degree of risk due to the nature of the portfolio of investments and the strategies employed.

There can be no assurance that the investment objectives of the Trust will be achieved. Use of short sales may create special risks and substantially increase the impact of adverse price movements on the portfolio of investments.

Asset allocation is determined by the Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Manager.

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Period from commencement of operations from March 31, 2016 to December 31, 2016
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10. Financial instruments and associated risks (continued):

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Trust are discussed below.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprise three types of risk: interest rate risk, foreign currency risk and price risk.

(a) Market risk:

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trust's financial assets and liabilities are non-interest bearing with the exception of amounts due to/from broker. As a result, the Trust is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates; however, a change of 5% would have a nominal effect.

Interest income is earned from a fixed income security. The fixed income security earns interest at a fixed rate and its fair value is impacted by market interest rates.

As at December 31, 2016, the Trust's exposure through investment in Private LP to debt instruments by maturity and the impact on net assets attributable to holders of redeemable units had the yield curve shifted in parallel by 25 basis points, with all other variables held constant ("sensitivity"), is as follows:

December 31, 2016

Debt instruments** by maturity date	
0 to 1 years	\$ 6,307,564

**Excludes cash and cash equivalents

(ii) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Trust. The Trust may enter into foreign exchange contracts for hedging

PINNACLE ABSOLUTE RETURN TRUST

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Period from commencement of operations from March 31, 2016 to December 31, 2016
(Expressed in Canadian dollars)

10. Financial instruments and associated risks (continued):

purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

As at December 31, 2016, Trust did not have significant exposure to currency risk.

(iii) Price risk:

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

At December 31, 2016, if market prices had been 5% higher for listed securities with all other variables held constant, the Public LP's capital for the year would have been \$190,653 higher, arising due to the increase in fair value of financial assets at fair value through profit and loss.

All investments present a risk of loss of capital. The maximum risk resulting from the investments is determined by their fair value.

The Trust manages its exposure to price risk through the use of risk management strategies and various analytical monitoring techniques that evaluate the effect of cash instruments and derivative contracts.

(b) Credit risk:

Credit risk is the risk that a counterparty will be unable to pay the amounts in full when due. Financial instruments which potentially expose the Trust to credit risk consist principally of financial assets at FVTPL, cash and cash equivalents, due from broker, interest and dividends receivables, and due from related party. The Trust's maximum exposure to credit risk (not taking into account the value of any collateral) is equivalent to the fair value of these financial instruments as reported in the statement of financial position.

All transactions in listed securities are settled upon delivery using approved brokers. The risk of credit default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Risk relating to unsettled transactions is considered to be minimal due to the short settlement period involved.

The Trust seeks to mitigate its exposure to credit and counterparty risk by placing its cash and amounts due from brokers, and transacting its securities and derivative activities with reputable financial institutions.

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Notes to the Financial Statements, page 19

Period from commencement of operations from March 31, 2016 to December 31, 2016
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10. Financial instruments and associated risks (continued):

(b) Credit risk (continued):

The Private LP currently invests in loans provided to other entities with specific repayment terms and interest requirements. The risk of credit default is considered minimal, as collateral is held on each loan provided.

The Trust seeks to mitigate its exposure to credit and counterparty risk within the Private LP by lending cash to reputable businesses and monitoring compliance with loan terms.

(c) Concentration:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Refer to the Schedule of Investment Portfolio for the fund specific concentration risk.

(d) Liquidity risk:

Liquidity risk is the risk that the Trust may not be able to settle or meet its obligations on time or at a reasonable price.

The Trust's exposure to liquidity risk is concentrated in the periodic cash redemption of units. Additionally, the Trust's financial assets include primarily unlisted equity and debt investments, which are generally illiquid. As a result, the Trust may not be able to liquidate some of its investments in these instruments in due time to meet its liquidity requirements.

The Trust's liquidity is managed on an ongoing basis by the Investment Manager in accordance with the Trust's offering memorandum. The redemption policy only allows for quarterly redemptions upon not less than 60 days' notice to the transfer agent, which provides adequate time for the Trust to ensure adequate liquidity. The Trustee also has the ability to satisfy redemptions through promissory notes for any illiquid positions.

The Trust may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

All financial liabilities are due between one and three months.

(e) Capital risk management:

The Manager manages the capital of the Trust in accordance with the Trust's investment objectives, policies and restrictions, as outlined in the Trust's offering memorandum, while maintaining sufficient liquidity to meet Unitholders' withdrawals. The Trust does not have externally imposed capital requirements.

PINNACLE ABSOLUTE RETURN TRUST

Notes to the Financial Statements, page 20

Period from commencement of operations from March 31, 2016 to December 31, 2016
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10. Financial instruments and associated risks (continued):

(f) Private investments:

Private investments are investments in companies that are not traded on an organized public market. All investments in private companies are initially recorded at cost, being the fair value at the time of acquisition. Therefore, at each reporting period, the fair value of an investment may, depending upon the circumstances be subject to certain limitations. Financial information for private companies in which the Trust has invested may not be available or, if available, that information may be limited and/or unreliable.

The amounts at which investments in privately-held companies could be disposed of may differ from the carrying value. The Trust's investments in these private companies can at times be relatively illiquid if the Trust decides to dispose of certain securities and it may not be able to do so at favorable prices at that time, or at all. Investments of \$6,307,594 in the Private LP make up 57% of the total Net Asset Value of Pinnacle Absolute Return Trust as at December 31, 2016.

(g) Borrowing and leverage:

The Trust may utilize leverage on its investment program by entering into short sales and other similar techniques.

The concept of leverage is based on the premise that the Trust's cost of borrowing will be at rates that normally will be lower than the rate of return earned on the longer term investments it holds.

While the use of leverage may increase the returns on equity capital invested in the Trust, the use of leverage also increases the risk of loss of such Unitholder's capital, because the claims of lenders to the Trust on assets and income of the Trust will be senior to the claims of investors.

PINNACLE ABSOLUTE RETURN TRUST

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Period from commencement of operations from March 31, 2016 to December 31, 2016
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11. Comparison of Net Asset Value (Trading NAV) per unit and Net Asset Value (IFRS) per unit:

The primary reason for the difference between the Net Asset Value (Trading NAV) per unit and the Net Asset Value (IFRS) per unit is due to offering costs of \$464,950 expensed from a financial reporting perspective in the Trust's first year of operation, and amortized from a transactional Net Asset Value (Trading NAV) perspective over five years from the commencement of operations. The investor alignment program is based on the Trading NAV.

	Net Asset Value (Trading NAV) Per Unit	Net Assets Value (IFRS) Per Unit
December 31, 2016		
Class I Series A	\$ 9.88	\$ 9.49
Class I Series B	9.89	9.50
Class II Series A	10.17	9.77
Class II Series B	9.81	9.43
Class III Series B	9.84	9.45

12. Net gain (loss) from financial assets and liabilities at FVTPL:

	2016
Net change in unrealized gain on financial assets and liabilities:	
Designated at FVTPL	\$ 23,093
	\$ 23,093

The realized gain (loss) from financial assets and liabilities at FVTPL represents the difference between the cost of the financial asset and/or liabilities at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its sale or settlement price.

The unrealized gain (loss) represents the difference between the carrying amount of a financial asset and/or liability at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its carrying amount at the end of the reporting period.

SCHEDULE “A”

Initial Allocation of Net Proceeds and Hypothetical Values and Weightings Over Three Years

The following tables are hypothetical and for illustration purposes only and demonstrate the values and weighting changes of the Private Portfolio and the Public Portfolio for the Class I Units and Class II Units for up to three years after an investor’s initial investment.

Capitalized terms used in this Schedule “A” without being defined herein have the meaning ascribed to such terms in the Offering Memorandum to which this Schedule “A” is attached. This Schedule “A” forms part of, and is incorporated into, the Offering Memorandum.

The initial investment amounts set out below are based on the Net Proceeds invested by the Trust in the Portfolios in accordance with the investment allocations attributed to each Class. No tables have been provided for the Class III Units since the Net Proceeds raised under Class III Units will be allocated to the Private Portfolio. It is the intention of the Manager to combat the change in allocation illustrated below by allocating new funds into each Class Pool in a manner that would bring the allocations back to the initial allocations specific to that Class of units.

CLASS I UNITS

CLASS I UNITS - GAIN

TABLE A below demonstrates a hypothetical change in value of the Class I Units after an investor’s initial investment allocation for Year 1, Year 2 and Year 3 in circumstances where there is a gain.

Assumptions:

TABLE A below is based on the following assumptions:

- Initial Investment: \$10,000 (Net Proceeds)
- Initial Allocation: 90% Private Portfolio and 10% Public Portfolio
- Private Portfolio: 7.0% return distributed as income to investors
- Public Portfolio: 10% gain with no distributions to investors

TABLE A – Class I Units - Gain

	Initial		Year 1				Year 2				Year 3				Total Returns (3 years)			
	Value	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Total Value	Total Income	Total Value + Income
Private	\$9,000	90%	7%	\$9,000	\$630	89%	7%	\$9,000	\$630	88%	7%	\$9,000	\$630	87%	7%	\$9,000	\$1,890	\$10,890
Public	\$1,000	10%	10%	\$1,100	\$0	11%	10%	\$1,210	\$0	12%	10%	\$1,331	\$0	13%	10%	\$1,331	\$0	\$1,331
Total	\$10,000	100%	7.3%	\$10,100	\$630	100%	7.3%	\$10,210	\$630	100%	7.36%	\$10,331	\$630	100%	7.39%	\$10,331	\$1,890	\$12,221

TABLE A above illustrates that after an initial allocation of \$9,000 in the Private Portfolio and \$1,000 in the Public Portfolio, the value and weighting of the Portfolios changed in each of the three years following the initial investment based on the assumptions above. For example, although the value of the Private Portfolio remained constant at \$9,000 (while paying out 7% distributions each year) its weighting changed from 90% at the time of initial investment to 87% at the end of Year 3. The value of the Public Portfolio increased from \$1,000 at the time of initial investment to \$1,331 at the end of Year 3 and its weighting accordingly increased from 10% to 13%.

CLASS I UNITS - LOSS

TABLE B below demonstrates a hypothetical change in value of the Class I Units after an investor's initial investment allocation for Year 1, Year 2 and Year 3 in circumstances where there is a loss.

Assumptions:

TABLE B below is based on the following assumptions:

- Initial Investment: \$10,000 (Net Proceeds)
- Initial Allocation: 90% Private Portfolio and 10% Public Portfolio
- Private Portfolio: 7.0% annual return distributed as income to investors
- Public Portfolio: -6% loss annually with no distributions to investors

TABLE B – Class I Units - Loss

	Initial		Year 1				Year 2				Year 3				Total Returns (3 years)			
	Value	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Total Value	Total Income	Total Value + Income
Private	\$9,000	90%	7%	\$9,000	\$630	91%	7%	\$9,000	\$630	91%	7%	\$9,000	\$630	92%	7%	\$9,000	\$1,890	\$10,890
Public	\$1,000	10%	-6%	\$940	\$0	9%	-6%	\$884	\$0	9%	-6%	\$831	\$0	8%	-6%	\$831	\$0	\$831
Total	\$10,000	100%	5.70%	\$9,940	\$630	100%	5.77%	\$9,884	\$630	100%	5.84%	\$9,831	\$630	100%	5.90%	\$9,831	\$1,890	\$11,721

TABLE B illustrates that after an initial allocation of \$9,000 in the Private Portfolio and \$1,000 in the Public Portfolio, the value and weighting of the Portfolios changed in each of the three years following the initial investment based on the assumptions above. For example, although the value of the Private Portfolio remained constant at \$9,000 (while paying out 7% distributions each year) its weighting changed from 90% at the time of initial investment to 92% at the end of Year 3. The value of the Public Portfolio decreased from \$1,000 at the time of initial investment to \$830.58 at the end of Year 3 and its weighting accordingly decreased from 10% to 8%.

CLASS II UNITS

CLASS II UNITS - GAIN

TABLE C below demonstrates a hypothetical change in value of the Class II Units after an investor's initial investment allocation for Year 1, Year 2 and Year 3 in circumstances where there is a gain.

Assumptions:

TABLE C below is based on the following assumptions:

- Initial Investment: \$10,000 (Net Proceeds)
- Initial Allocation: 10% Private Portfolio and 90% Public Portfolio
- Private Portfolio: 7.0% return distributed as income to investors
- Public Portfolio: 10% gain with no distributions to investors

TABLE C – Class II Units - Gain

	Initial		Year 1			Year 2				Year 3				Total Returns (3 years)				
	Value	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Total Value	Total Income	Total Value + Income
Private	\$1,000	10%	7%	\$1,000	\$70	9%	7%	\$1,000	\$70	8%	7%	\$1,000	\$70	8%	7%	\$1,000	\$210	\$1,210
Public	\$9,000	90%	10%	\$9,900	\$0	91%	10%	\$10,890	\$0	92%	10%	\$11,979	\$0	92%	10%	\$11,979	\$0	\$11,979
Total	\$10,000	100%	9.70%	\$10,900	\$70	100%	9.72%	\$11,890	\$70	100%	9.75%	\$12,979	\$70	100%	9.77%	\$12,979	\$210	\$13,189

TABLE C illustrates that after an initial allocation of \$9,000 in the Public Portfolio and \$1,000 in the Private Portfolio, the value and weighting of the Portfolios changed in each of the three years following the initial investment based on the assumptions above. For example, although the value of the Private Portfolio remained constant at \$1,000 (while paying out 7% distributions each year) its weighting changed from 10% at the time of initial investment to 8% at the end of Year 3. The value of the Public Portfolio increased from \$9,000 at the time of initial investment to \$11,979 at the end of Year 3 and its weighting accordingly increased from 90% to 92%.

CLASS II UNITS - LOSS

TABLE D below demonstrates a hypothetical change in value of the Class I Units after an investor's initial investment allocation for Year 1, Year 2 and Year 3 in circumstances where there is a loss.

Assumptions:

TABLE D below is based on the following assumptions:

- Initial Investment: \$10,000 (Net Proceeds)
- Initial Allocation: 10% Private Portfolio and 90% Public Portfolio
- Private Portfolio: 7.0% annual return distributed as income to investors
- Public Portfolio: -6% loss annually with no distributions to investors

TABLE D – Class II Units - Loss

	Initial		Year 1				Year 2				Year 3				Total Returns (3 years)			
	Value	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Value	Income	Weight	Return	Total Value	Total Income	Total Value + Income
Private	\$1,000	10%	7%	\$1,000	\$70	11%	7%	\$1,000	\$70	11%	7%	\$1,000	\$70	12%	7%	\$1,000	\$210	\$1,210
Public	\$9,000	90%	-6%	\$8,460	\$0	89%	-6%	\$7,952	\$0	89%	-6%	\$7,475	\$0	88%	-6%	\$7,475	\$0	\$7,475
Total	\$10,000	100%	-4.70%	\$9,460	\$70	100%	-4.63%	\$8,952	\$70	100%	-4.55%	\$8,475	\$70	100%	-4.47%	\$8,475	\$210	\$8,685

TABLE D illustrates that after an initial allocation of \$9,000 in the Public Portfolio and \$1,000 in the Private Portfolio, the value and weighting of the Portfolios changed in each of the three years following the initial investment based on the assumptions above. For example, although the value of the Private Portfolio remained constant at \$1,000 (while paying out 7% distributions each year) its weighting changed from 10% at the time of initial investment to 12% at the end of Year 3. The value of the Public Portfolio decreased from \$9,000 at the time of initial investment to \$7,475 at the end of Year 3 and its weighting accordingly decreased from 90% to 88%.

SCHEDULE “B”

Investor Alignment Program

Capitalized terms used in this Schedule “B” without being defined herein have the meanings ascribed to such terms in the Offering Memorandum to which this Schedule “B” is attached. This Schedule “B” forms part of, and is incorporated into, the Offering Memorandum.

Pinnacle’s Approach to Alignment

Pinnacle, as the Manager, seeks to align itself with investors in the event that there is an impairment of the investments in the Private Portfolio. Accordingly, Pinnacle and its registered dealing representatives and those of other Selling Agents have agreed to implement the “**Investor Alignment Program**” whereby they will take a significant reduction in compensation in certain circumstances relating to the impairment of the investments in the Private Portfolio with a view to using the foregone fees to generate new value for investors in the Private Portfolio, all on the terms described in detail below in this Schedule “B”.

The Investor Alignment Program relates only to the Trust’s investment in the Private Portfolio through the Private LP.

Defined Terms

In this Schedule “B”, the following terms have the following meanings:

- (1) “**Alignment NAV Increase**” means the increase in NAV per Private LP Unit achieved during the Investor Alignment Period.
- (2) “**Alignment Trigger Date**” means the Valuation Date in respect of which the NAV per Private LP Unit is determined to be less than the Alignment Trigger NAV.
- (3) “**Alignment Trigger NAV**” means NAV per Private LP Unit that is 5% lower than the Applicable Reference NAV.
- (4) “**Applicable Reference NAV**” means, in respect of the initial Investor Alignment Period, the Initial Reference NAV and, in respect of any subsequent Investor Alignment Period, the NAV per Private LP Unit determined as at the final Valuation Date of the most recent Investor Alignment Period.
- (5) “**Fee Reduction Amount**” or “**Fee Reduction**” means the aggregate amount representing the 50% reduction of the stated Management Fee and the Trailer Fee in the Offering Memorandum.
- (6) “**Initial Reference NAV**” means \$10 per Private LP Unit.
- (7) “**Dealing Representatives**” means the individuals registered under applicable provincial and/or territorial securities legislation as dealing representatives of an exempt market dealer registered under such legislation.
- (8) “**Investor Alignment Period**” means the period during which the Fee Reduction Amount is in effect, which period commences on the Alignment Trigger Date and ends on the earlier of: (i) the Valuation Date in respect of which NAV per Private LP Unit is determined to be equal to or greater than the Alignment Trigger NAV; and (ii) the 24th Valuation Date following the commencement of the Investor Alignment Period.

Overview of the Investor Alignment Program

Objectives

The objectives of the Investor Alignment Program are to:

- (a) reduce the compensation paid to the Manager and its Dealing Representatives and those of other Selling Agents during the Investor Alignment Period (a period in which Unitholders are faced with an impairment of the investments in the Private Portfolio). The Manager believes this creates a unique alignment of the

interests and underscores the commitment of the Manager and its Dealing Representatives of those of other Selling Agents, including Pinnacle, to their investor clients; and

- (b) generate cash in the form of the Fee Reduction Amount that will be used by the Trust to make additional contributions to the Private LP, without the issuance of additional Private LP Units to the Trust, thereby creating the opportunity to generate additional value and an increase in the NAV per Private LP Unit.

Fee Reduction

The Fee Reduction under the Investor Alignment Program is 50% of the stated rates of the Management Fee and the Trailer Fee in the Offering Memorandum.

When does the Fee Reduction apply?

The Fee Reduction will be in effect throughout the Investor Alignment Period, a period of up to two years. The Management Fee and the Trailer Fee will be restored to the full rates, as stated in the Offering Memorandum, when the Investment Alignment Period ends.

What is the trigger for the Fee Reduction?

The Fee Reduction described above begins on the Alignment Trigger Date, which is the start of the Investor Alignment Period. The Investor Alignment Program is triggered when there is a decline in the NAV per Private LP Unit of 5% below the Applicable Reference NAV (which is defined above as the Alignment Trigger NAV). Any decline in NAV per Private LP Unit beyond the Alignment Trigger NAV will trigger an Investor Alignment Period. The Applicable Reference NAV for the first Investor Alignment Period is \$10 per Private LP Unit, being the initial purchase price per Private LP Unit. A 5% reduction of a \$10 NAV per Private LP Unit is \$0.50, so the first Investor Alignment Period would commence on a Valuation Date (which is defined above as the Alignment Trigger Date) in respect of which the NAV per Private LP Unit is determined to be less than \$9.50 per Private LP Unit.

Can there be more than one Investor Alignment Period?

Yes, there can be more than one fee reduction, each occurring during an Investor Alignment Period. The initial Investor Alignment Period is described above. A subsequent Investor Alignment Period will begin when the NAV per Private LP Unit declines more than 5% below NAV per Private LP Unit determined as at the Valuation Date at the end of the most recent Investor Alignment Period (which is reflected above in the definition of Applicable Reference NAV).

What if there is a further decline in NAV per Private LP Unit during the Investor Alignment Period?

A further decline in NAV per Private LP Unit during the Investor Alignment Period will not result in a further reduction of the Management Fee or Trailer Fee and will not extend the Investor Alignment Period beyond the maximum two-year period. The further decline will, however, make it more difficult to achieve a sufficient Alignment NAV Increase in order to terminate the Investor Alignment Period early.

Balancing interests

The results of any investment can be positive or negative. **The Investor Alignment Program is not designed to eliminate the prospect of investment loss or decline in value in the Private Portfolio, nor is it a guarantee of a return on an investment in Units. Instead, the Investor Alignment Program is intended to give investors a meaningful fee concession in the face of a decline in NAV per Private LP Unit while, at the same time, not making it punitive for the Manager to operate the Trust and the Partnerships during the Investor Alignment Period.** The opportunity for increased value in the Private Portfolio through contribution of the Fee Reduction Amount benefits investors, the Manager and all Dealing Representatives. The Applicable Reference NAV and Alignment Target NAV are set in such a way as to balance these interests. From the perspective of the Unitholders, the Applicable Reference NAV sets a bar that will drive a meaningful fee concession over a period of time that may allow for an Alignment NAV Increase to be achieved through contribution of the Fee Reduction Amount by the Trust to the Private LP (without the issuance of additional Private LP Units) for investment in the Private Portfolio. From the perspective of the Manager and its Dealing Representatives and those of other Selling Agents, the Applicable Reference NAV and Alignment Trigger NAV create an opportunity to end the Investor Alignment Period earlier than two years if the intended Alignment NAV Increase is achieved earlier. The fact that the Applicable Reference NAV is reset at the end of an Investor Alignment Period allows the Investor Alignment Program to be triggered more than once.

Fee Reduction Amount and Alignment NAV Increase

During an Investor Alignment Period, the Fee Reduction Amount will be allocated to the respective Series Asset Pools established in respect of each Class and series of Unit issued by the Trust. The Trust will take the Fee Reduction Amount and use it to make additional contributions to the Private LP (without the issuance of new Private LP Units to the Trust), thereby allowing the Fee Reduction Amount to be invested in new investments in the Private Portfolio with the intent of increasing the NAV of the Private LP. In this way, the NAV per Private LP Units should increase because the increase in the NAV of the Private LP will not be diluted on a “per Private LP Unit basis” by the issuance of additional Private LP Units since the additional contributions of the Fee Reduction Amount will be made without issuing additional Private LP Units. Increasing the NAV per Private LP Unit in this manner is defined above as “Alignment NAV Increase”, which captures all increases in NAV per Private LP Unit achieved during an Investor Alignment Period.

As all Private LP Units have the same NAV and will benefit equally from Alignment NAV Increase, all Unitholders will benefit proportionately in keeping with the allocation of Private LP Units among the Series Asset Pools.

Conflict of Interest Matters

Determining the NAV of the Private LP, the Public LP and the Trust is the responsibility of the Manager. In the ordinary course, the determination of NAV is not a conflict of interest matter. However, where there has been an impairment of one or more investments in the Private Portfolio, the determination of NAV will, in turn, determine whether an Investor Alignment Period is triggered and the Fee Reduction for the Manager and Dealing Representatives. In circumstances in which it is unclear whether an impairment in the Private Portfolio will result in a Fee Reduction, the Manager will report the matter to the board of directors of the Trustee and the board, with the unanimous approval of the independent directors, will decide how to proceed with the NAV determination, including the engagement of an independent valuator.

Example of the Investor Alignment Program

The Fee Reductions

The Management Fee varies based on the Class of Units; being Class I, Class II and Class III. The Trailer Fee varies based on the Class and series of the Units, with the series being series A and series B.

The Investor Alignment Program imposes a 50% reduction of the Management Fee and the Trailer Fee. The following tables illustrate the breakdown of the fee reduction across the various Classes and series of Units.

TABLE 1 – Reduced Management Fee

Management Fee ⁽¹⁾ (by Class of Unit)		Initial Allocation of Private LP Units ⁽²⁾	Private LP Management Fee ⁽³⁾	50% Reduction	Reduced Management Fee Charged
Class I	1.85%	90%	1.67%	0.83%	0.83%
Class II	0.75%	10%	0.08%	0.04%	0.04%
Class III	2.0%	100%	2.00%	1.00%	1.00%

TABLE 2 – Reduced Trailer Fee – Classes I & II Units, Series A

Trailer Fee ⁽¹⁾ (Series A, by Class of Unit)		Initial Allocation of Private LP Units ⁽²⁾	Private LP Trailer Fee ⁽⁴⁾	50% Reduction	Reduced Trailer Fee Charged
Class I	2.0%	90%	1.80%	0.90%	0.90%
Class II	1.0%	10%	0.10%	0.05%	0.05%

**TABLE 3 – Reduced Trailer Fee – All Classes of Units,
Except Classes I & II Units, Series A**

Trailer Fee ⁽¹⁾ (Series B, by Class of Unit)		Initial Allocation of Private LP Units ⁽²⁾	Private LP Trailer Fee ⁽⁴⁾	50% Reduction	Reduced Trailer Fee Charged
Class I	1.0%	90%	0.90%	0.45%	0.45%
Class II	0.5%	10%	0.05%	0.025%	0.025%
Class III	1.0%	100%	1.00%	0.50%	0.50%

Notes:

- (1) The rates shown for the Management Fee and the Trailer Fee, including the reduced rates, are expressed on an annualized basis.
- (2) The tables assume the Initial Allocation of Private LP Units (see “*Business of the Trust – Initial Investment Allocation*” in the Offering Memorandum, and in *Table 3* under that heading, for details of the Initial Allocation and the basis on which it can change, both in terms of numbers of Private LP Units and relative value of Private LP Units and Public LP Units in the same Series Asset Pool).
- (3) The Private LP Management Fee is calculated, for example, as $1.85\% \times 90\% = 1.67\%$.
- (4) The Private LP Trailer Fee is calculated, for example, as $2.0\% \times 90\% = 1.8\%$.

TABLE 4 – Sample Investor Alignment Period

Date References	Investor Alignment Program Terms or References	Amount
n/a	Initial Reference NAV ⁽¹⁾	\$10.00
n/a	Alignment Trigger NAV ⁽²⁾	\$9.50
Alignment Trigger Date – the Investor Alignment Period begins ⁽³⁾	In this example, the NAV per Private LP Unit (shown) has declined below the Alignment Trigger NAV as determined at the Valuation Date (that Valuation Date = the Alignment Trigger Date)	\$9.30
n/a	In order to end the Investor Alignment Period earlier than two years (<i>i.e.</i> , 24 th Valuation Date after the Alignment Trigger Date), NAV per Private LP Unit must increase to the Alignment Trigger NAV (shown)	\$9.50
Valuation Date – the Investor Alignment Period ends	In this example, the NAV per Private LP Unit (shown) has increased above the Alignment Trigger NAV as determined at the Valuation Date (this Valuation Date is the final Valuation Date in the Investor Alignment Period)	\$9.60

Notes:

- (1) Because the example is the first Investor Alignment Period, the Applicable Reference NAV is the Initial Reference NAV.
- (2) Calculating the Alignment Trigger NAV: $\text{Applicable Reference NAV} \times 95\% = \9.50 .
- (3) In the example, the actual decline in NAV per Private LP Unit determined on the Alignment Trigger Date is \$9.30, which is below the Alignment Trigger NAV and, therefore, triggers the start of the Investor Alignment Period and consequent 50% reduction in the Management Fee and the Trailer Fee.
- (4) The NAV per Private LP Unit on the last Valuation Date of the Investor Alignment Period is the Applicable Reference NAV for the next Investment Alignment Period, if there is another.
- (5) 95% of the “new” Applicable Reference NAV is the “new” Alignment Trigger NAV for the next Investment Alignment Period: $\$9.60 \times 95\% = \9.12 . There will be a further Investor Alignment Period if the NAV per Private LP Unit drops below \$9.12.

SCHEDULE “C”

Summary of Class and Series Features

Securities Offered (Classes)	CLASS I		CLASS II		CLASS III			
Securities Offered (Series)	A	F	A	F	A	B	F	S
Initial Allocation (to the Private Portfolio)	90%	90%	10%	10%	100%	100%	100%	100%
Initial Allocation (to the Public Portfolio)	10%	10%	90%	90%	None	None	None	None
Minimum Subscription Amount	\$10,000	\$1,000,000	\$10,000	\$1,000,000	\$10,000	\$250,000	\$1,000,000	\$25,000
Eligibility for Registered Plans*	Yes	No	Yes	No	Yes	Yes	No	Yes
Early Redemption Fee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Redemption during first 6 months	No	No	No	No	No	No	No	No
Early Redemption Fee between 6 and 12 months	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Early Redemption Fee after 12 months	No	No	No	No	No	No	No	No
Offering Cost Fee	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	0.75%
Management Fee	1.85%	1.85%	0.75%	0.75%	2.00%	2.00%	2.00%	2.00%
Hurdle Rate	7.00%	9.00%	7.00%	9.00%	7.00%	8.00%	9.00%	5.50%
Performance Fee (on Public Portfolio)	No	No	No	No	No	No	No	No
Performance Fee (on Private Portfolio)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Performance Fees after Hurdle Rate	40%	20%	40%	20%	40%	40%	20%	40%
Trailer Fee	2%	0%	1%	0%	2%	1%	0%	2%
Distribution Reinvestment Plan (DRIP) Available	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Performance Fee Profit Sharing	Up to 50%	Up to 50%	Up to 50%	Up to 50%	Up to 50%	Up to 50%	Up to 50%	Up to 50%
Investment Alignment Program (applicable)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Investment Alignment Program Description	In order to align themselves with investors, Pinnacle and its dealing representatives, and those of other selling agents, will take the following reductions in the event that there is an impairment of 5% or more to the net asset value (the Reference NAV) of the Private Portfolio, including 50% reduction to Management Fee and 50% reduction in trailer fees. See "Investor Alignment Program".							
*Terms are subject to change without notice. Investors should consult their own tax advisors in respect of an investment in Units. See “Certain Canadian Federal Income Tax Considerations”.								

CERTIFICATE PAGE

Dated December 1, 2017.

This Offering Memorandum does not contain a misrepresentation.

PINNACLE ABSOLUTE RETURN TRUST
by its trustee, Pinnacle Absolute Return Trustee Corp.

“Darvin Zurfluh” (signed)
Chief Executive Officer

“Brian Koscak” (signed)
President and Secretary

On behalf of the Board of Directors of Pinnacle Absolute Return Trustee Corp.

“Jonathan Aikman” (signed)
Director

“Darvin Zurfluh” (signed)
Director

On behalf of Pinnacle Wealth Brokers Inc. as manager and promoter

“Darvin Zurfluh” (signed)
Chief Executive Officer

“Brian Koscak” (signed)
President

On behalf of the Board of Directors of Pinnacle Wealth Brokers Inc. as manager and promoter

“Darvin Zurfluh” (signed)
Director

“Michael Edwards” (signed)
Director