

OFFERING MEMORANDUM (FORM 45-106F2)

This Offering Memorandum pertains to an offering of securities only in the jurisdictions and only to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

Continuous Offering

August 3, 2016



Temperance Capital Income Trust

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Toronto, Ontario M5H 3P5

Phone: (647) 776-0369

Email: info@temperancecapital.com

Currently listed or quoted?

No. **These securities do not trade on any exchange or market.**

Reporting issuer?

No.

SEDAR filer?

No.

The Offering

Securities Offered:

The securities being offered pursuant to this Offering Memorandum are tied units (the “**Tied Units**”) of Temperance Capital Income Trust (the “**Trust**”), each of which is comprised of:

- a preferred A unit (“**Preferred A Trust Unit**”) of the Trust; and
- a common A unit (“**Common A Trust Unit**”) of the Trust.
(herein referred to as a “**CDN Tied Unit**”)

or:

- a preferred A(USD) unit (“**Preferred A(USD) Trust Unit**”); and
- a Common A Trust Unit.
(herein referred to as a “**USD Tied Unit**”).

The terms of the Preferred A Trust Units and the Preferred A(USD) Trust Units are the same in all respects with the exception of the following:

- the Preferred A Trust Units are denominated in Canadian dollars while the Preferred A(USD) Trust Units are denominated in United States dollars;
- the proceeds of the Preferred A Trust Units will be invested in Canadian dollar denominated promissory notes of Investco (as defined herein) and therefor, distributions will be paid in Canadian dollars while the proceeds of the Preferred A(USD) Trust Units will be invested in US dollar denominated promissory notes of Investco and therefor,

distributions will be paid in United States dollars.

See Item 5 – *Securities Offered* for the terms of the Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units.

Price per Security: The price per Tied Unit will be in accordance with the schedule outlined below:

	CDN Tied Units	USD Tied Units
On or before December 31, 2016	\$10.00 per Preferred A Trust Unit. \$0.001 per Common A Trust Unit	US\$10.00 per Preferred A(USD) Trust Unit. \$0.001 per Common A Trust Unit
After December 31, 2016 and on or before April 30, 2017	\$10.62 per Preferred A Trust Unit. \$0.01 per Common A Trust Unit	US\$10.62 per Preferred A(USD) Trust Unit. \$0.01 per Common A Trust Unit

Minimum/Maximum Offering: **There is no maximum or minimum offering. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives. See Item 4 – *Capital Structure*.**

Minimum Individual Subscription Amount: Except with the consent of Temperance Capital Administration Corp., the Administrator of the Trust (the “**Administrator**”), the minimum subscription is 500 Tied Units (\$5,000.50 for CDN Tied Units or US\$5,000.00 and \$0.50 for USD Tied Units prior to December 31, 2016). See Item 5.1 – *Terms of Securities* and Item 5.2 – *Subscription Procedure*.

Payment Terms: Certified cheque or bank draft payable to the Trust in the amount of the total purchase price of the Tied Units being subscribed for. See Item 5.2 – *Subscription Procedure*.

Proposed Closing Date(s): Closings will occur from time to time at the discretion of the Administrator.

Tax Consequences: There are important tax consequences to acquiring, holding or disposing of these securities. Provided that the Trust qualifies as a “mutual fund trust” for purposes of the Income Tax Act at all relevant times, the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units will be qualified investments for Exempt Plans. Although it is intended that the Trust qualify as a “mutual fund trust” pursuant to the Income Tax Act, the Trust will not be a “mutual fund” under applicable securities laws. See Item 6 – *Certain Income Tax Consequences and Exempt Plan Eligibility*.

Selling Agent: The Trust will retain one or more securities dealers on a non-exclusive basis to effect sales of Tied Units. The Trust will pay a selling commission to such securities dealers of up to 10% of the gross proceeds from the sale of the Tied Units realized at the time of Closing in respect of such sale. It is expected that such selling commissions will be comprised of: (i) a 9% selling commission; and (ii) a 1% fee payable to the lead dealer in the syndicate.

The Trust may also pay a fee to certain securities dealers an amount of up to 1% per annum of the aggregate amount that remains invested in the Trust, beginning on the 6th anniversary of such investment. See Item 7 – *Compensation Paid to*

Sellers and Finders.

Resale Restrictions: The Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units are subject to restrictions on resale. There is no market for the Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units and none is expected to develop and, therefore, it may be difficult or impossible for a Subscriber to sell the Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units. You will be restricted from selling your Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units for an indefinite period. See Item 10 – *Resale Restrictions*.

The Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units are subject to Redemption Rights. See 2.7.1 – *Declaration of Trust – Redemption Rights*. Within 5 years of their issuance, any redemption of a Preferred A Trust Unit or Preferred A(USD) Trust Unit may result in the mandatory redemption of the Common A Trust Unit purchased as part of a Tied Unit even if the Preferred A Trust Unit, Preferred A(USD) Trust Unit or the Common A Trust Unit has been transferred to a third party.

Purchaser's Rights: You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 – *Purchasers' Rights*.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8 – *Risk Factors*.

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CAUTIONARY STATEMENTS

Forward Looking Information

This Offering Memorandum includes forward-looking information and forward-looking statements (collectively, “**forward-looking information**”) with respect to Temperance. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases including, but not limited to, “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) are not statements of historical fact and may be “forward-looking information”. This information represents predictions and actual events or results may differ materially.

Forward-looking information contained in this Offering Memorandum includes, but is not limited to, statements with respect to: the price of the securities offered; the use of proceeds of the Offering; the completion of the Initial Investment; the terms of the Initial Investment; the making of Preferred Royalty Investments consistent with Temperance’s investment strategy and criteria; the structure of Preferred Royalty Investments; the structure of Temperance; the terms (including the interest rate) of the Investco Notes; the business to be conducted by Temperance; the expected debt levels of the Trust; long term and short term objectives; the competitive environment in which Temperance will conduct its business; timing and payment of distributions; Temperance’s investment objectives and strategy; treatment under government regulatory regimes and tax laws; dissolution of the Trust and the results of investments, the timing thereof and the methods of funding.

Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although the Administrator believes that the expectations reflected in the forward-looking information is 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. In addition to other factors and assumptions which may be identified in this Offering Memorandum, assumptions have been made regarding, among other things: the Trust’s qualification as a “mutual fund trust” and not as a “SIFT trust” under the Income Tax Act; use of proceeds of the Offering; the retention of securities dealers in connection with the Offering and payment of service fees to those securities dealers; the completion of the Initial Investment; the business to be conducted by Temperance; the general stability of the economic and political environment in which Temperance operates; Temperance’s investment objectives and investment strategies; timing and payment of distributions; treatment under governmental regulatory regimes and tax laws; the ability of Temperance to obtain qualified staff, equipment and services in a timely and cost efficient manner; valuation of Temperance’s investments, including the Initial Investment; the timing of dissolution of the Trust; the possibility of substantial redemptions of Preferred Trust Units; and currency exchange and interest rates. In addition, the Trust bases forward-looking information on assumptions about future events which may not prove to be accurate. In light of these risks, uncertainties and assumptions, you should be aware that events described in the forward-looking information set out in this Offering Memorandum may not occur.

Forward-looking information is based on the current expectations, estimates and projections of the Administrator and involve a number of known and unknown risks and uncertainties which would cause actual results or events to differ materially from those presently anticipated, including those risks described under Item 8 – *Risk Factors*, many of which are beyond the control of the Trust, the Trustees and the Administrator. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward-looking information include,

but are not limited to, general economic, political, market and business factors and conditions; interest rates fluctuations; statutory and regulatory developments; unexpected judicial or regulatory proceedings; catastrophic events; and other factors set out under the heading Item 8 – *Risk Factors*. Readers are cautioned that Item 8 – *Risk Factors* is not exhaustive.

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

Marketing Materials

Any "OM marketing materials" (as such term is defined in NI 45-106) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective purchaser before the termination of such distribution will be, and will be deemed to be, incorporated by reference into this Offering Memorandum, provided that any OM marketing materials to be incorporated by reference into this Offering Memorandum are not part of the Offering Memorandum to the extent that the contents of such OM marketing materials have been modified or superseded by a statement contained in an amended or amended and restated Offering Memorandum or OM marketing materials subsequently delivered or made reasonably available to a prospective purchaser prior to the execution of the subscription agreement by the purchaser.

Market and Industry Data

Unless otherwise indicated, the market and industry data contained in this Offering Memorandum and OM marketing materials incorporated by reference is based upon information from independent industry and government publications. While the Administrator 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 Trust nor the Administrator has independently verified the accuracy or completeness of such information contained herein.

DEFINITIONS

In addition to certain other terms defined elsewhere in the Offering Memorandum, when used in this Offering Memorandum, the following terms have the following meanings:

“**Administration Agreement**” means the administration agreement dated August 2, 2016 between the Administrator and the Trust, as amended, supplemented, or amended and restated from time to time;

“**Administrator**” means Temperance Capital Administration Corp., a corporation formed under the laws of the Province of Ontario, and any successor or permitted assign thereof;

“**affiliate**” has the meaning ascribed to such term in the *Securities Act* (Ontario);

“**associate**” has the meaning ascribed to such term in the *Securities Act* (Ontario);

“**business day**” means any day other than a Saturday, Sunday, a statutory holiday in the Province of Ontario or a day on which the principal chartered banks located at Toronto, Ontario are not generally open for business;

“**CDN Tied Unit**” means a tied unit of the Trust being offered under this Offering Memorandum that is comprised of (i) a Preferred A Trust Unit and (ii) a Common A Trust Unit; and such units are collectively called “**CDN Tied Units**”;

“**Closing**” means a closing, of which there may be more than one, of the issue of Tied Units pursuant to the Offering contemplated by this Offering Memorandum;

“**Common A Distributable Cash**” shall be equal to:

- (a) all cash or cash equivalents which are received by the Trust, for or in respect of the Trust Property acquired with the proceeds of the sale of Common A Trust Units, during, or in respect of, such Distribution Period, including amounts on account of interest, income, distributions, dividends, returns of capital, amounts paid on debt held by the Trust, capital gains, and such other amounts as may be determined from time to time by the Trustees or the Administrator to be included in the Common A Distributable Cash (which may include amounts taken, in the discretion of the Trustees or the Administrator, out of the Trust’s reserves in respect of the Common A Trust Units as well as amounts from the proceeds of any offering of the Common A Trust Units);

less the sum of:

- (b) all amounts paid on account of expenses and liabilities attributable to the Common A Trust Units for, or in respect of, such Distribution Period as well as an amount in respect of a share of all expenses and liabilities of the Trust which are allocated to Common A Trust Units by the Trustees, which in the opinion of the Trustees or Administrator, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period including, without limitation, any accrued liability in respect of undeclared and accumulated distributions on the Common A Trust Units;
- (c) all amounts which relate to the repayment of any amount (principal or interest) in respect of any indebtedness of the Trust during such Distribution Period attributable to the

Common A Trust Units (including Redemption Notes in respect of the redemption of the Common A Trust Units);

- (d) all cash amounts used during such Distribution Period for or in connection with loans, advances, investments or other acquisitions of assets by the Trust attributable to the Common A Trust Units;
- (e) the aggregate amount of all cash amounts used, or to be used, in respect of the redemption or repurchase of the Common A Trust Units called for redemption or repurchase;
- (f) any amount, in addition to those amounts set forth in (b) to (d) above (inclusive), which the Administrator may reasonably consider to be necessary to provide for the payment of any liabilities which have been or will be incurred by the Trust attributable to the Common A Trust Units, including any tax liability of the Trust (to the extent that such liabilities have not otherwise been taken into account in determining the Common A Distributable Cash hereunder), or for pursuing any purpose or activity of the Trust attributable to the Common A Trust Units; and
- (g) an amount as determined in the discretion of the Trustees or the Administrator for reasonable reserves to be maintained for the purposes of satisfying payment of any of the amounts or liabilities of the Trust referred to in (b) to (f) above;

“Common A Distribution Amount” means, in respect of any Distribution Period, the portion of Common A Distributable Cash declared payable by the Trustees to the holders of Common A Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period;

“Common A Trust Unit” means a common A unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust;

“Common A Unitholder” or **“holder of Common A Trust Units”** means a person whose name appears on the register of the Trust as a holder of Common A Trust Units;

“Common B Trust Unit” means a common B unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust;

“Common B Unitholder” or **“holder of Common B Trust Units”** means a person whose name appears on the register of the Trust as a holder of Common B Trust Units;

“Common Trust Units” means collectively, the Common A Trust Units and Common B Trust Units;

“Common Unitholder” means a person whose name appears on the register of the Trust as a holder of Common Trust Units;

“control”, and related terms including **“controlling”** and **“controlled”**, has the same meaning ascribed to such terms in the *Securities Act* (Ontario);

“Counsel” means Norton Rose Fulbright Canada LLP, counsel to the Trust;

“Declaration of Trust” means the Declaration of Trust dated August 2, 2016 among the Trustees, the Administrator, the settlor of the Trust and each person who is or becomes a Unitholder, as the same may be amended, supplemented, restated, or amended and restated from time to time, including the schedules thereto and any Supplement;

“Distribution per Common A Trust Unit” has the meaning set forth under Item 5.1.3 – *Common A Trust Units – Distribution Policy*;

“Distribution Payment Date” means, in respect of the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units, the 45th day that immediately follows a Distribution Period or such other dates as may be hereafter determined from time to time by the Trustees or the Administrator;

“Distribution Period” means, in respect of the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units, each three-month period ending March 31, June 30, September 30 and December 31 in each calendar year, or such other periods as may be hereafter determined from time to time by the Trustees or the Administrator;

“Distribution Record Date” means, in respect of the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units, the last Business Day in each Distribution Period or such other date as may be hereafter determined from time to time by the Trustees or the Administrator;

“DRIP” means the distribution reinvestment plan of the Trust;

“EBITDA” means earnings before interest, tax, depreciation and amortization;

“Eligible Preferred A Trust Units” has the meaning set forth under Item 5.1.1 – *Preferred A Trust Units – Distribution Policy*;

“Eligible Preferred A(USD) Trust Units” has the meaning set forth under Item 5.1.2 – *Preferred A(USD) Trust Units – Distribution Policy*;

“Exempt Plans” mean trusts governed by registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), deferred profit sharing plan (“DPSP”), registered education savings plans (“RESP”), registered disability savings plans (“RDSP”) and tax-free savings accounts (“TFSA”), all as defined in the Income Tax Act; individually herein referred to as an “**Exempt Plan**”;

“Growth Interest Rate” means an additional fixed simple interest rate on the Investco Note determined at the time such new Investco Note is delivered, which will be based on the increase in the income of Investco arising from organic growth of revenues from its Preferred Royalty Investments (if any) in the previous quarter. It is anticipated that the Growth Interest Rate will be set at a rate such that 80% of the organic growth of revenues of Investco’s Preferred Royalty Investments over a five year period (proportionate to the value of the Trust’s investments in Investco in the event that there are multiple sources of funding for Investco) will be paid to the Trust as interest on the Investco Note.

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

“Initial Investment” means the proposed initial Preferred Royalty Investment of up to US\$15 million in Succession. See Item 2.2.6 – *Initial Investment*;

“Investco” means Temperance Investment Corp., a corporation formed under the laws of the Province of Ontario;

“Investco Common Shares” means non-voting common shares of Investco, which will be purchased by the Trust with the gross proceeds of the sale of Common A Trust Units at a price of \$0.001 per share until December 31, 2016, and \$0.01 per share after December 31, 2016 until April 30, 2017;

“Investco Notes” means the promissory notes of Investco to be purchased by the Trust with the gross proceeds of the sale of Preferred A Trust Units and Preferred A(USD) Trust Units. See Item 2.7.4 – *Investco Notes*;

“Investment Fund Manager” means an investment fund manager which may be appointed by the Trust. The Investment Fund Manager may be an affiliate of the Trust, the Administrator or Investco;

“Lynx” means Lynx Equity Limited;

“Management” means the officers of Investco;

“Net Free Cash Flow” means the amount determined by subtracting general and administrative expenses, including employee compensation, from EBITDA and adding back any non-cash charges;

“NI 45-106” means National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators;

“Non-Resident” means a person who at the relevant time, for the purposes of the Income Tax Act and any applicable income tax convention is (or is deemed to be) a non-resident of Canada, or is a partnership that is not a “Canadian partnership” within the meaning of the Income Tax Act;

“Offering” means the offering and distribution of Tied Units, as contemplated pursuant to this Offering Memorandum or such other later dated offering memorandum as may be distributed by the Trust in respect of the offering of its Tied Units;

“Offering Memorandum” means this offering memorandum of the Trust dated August 3, 2016, as the same may be amended or amended and restated from time to time;

“Ordinary Resolution” means:

- (a) a resolution passed by more than 50% of the votes cast by those Unitholders who were entitled to and did vote on such resolution, whether cast in person or by proxy, at a meeting of Unitholders, at which a quorum was present, called (at least in part) for the purpose of approving such resolution; or
- (b) a resolution approved in writing, in one or more counterparts, by holders of Trust Units carrying more than 50% of the votes represented by those Trust Units entitled to be voted on such resolution;

“Other Trust Securities” means any type of securities of the Trust other than Trust Units, including notes (including Redemption Notes), bonds and other debt securities, any other equity security, voting securities, exchangeable securities and options, rights, warrants or other securities convertible into, exchangeable for or carrying the right of the holder to purchase or otherwise acquire, or of the Trust to cause the purchase or other acquisition of, other securities of the Trust (including convertible debt securities, subscription receipts and installment receipts);

“**person**” includes an individual, corporation, limited partnership, general partnership, joint stock company, limited liability company, joint venture, society, syndicate, association, company, trust, bank, trust company, pension fund, labour union, business trust and other organization, whether or not a legal entity, and government and agency or political subdivision thereof;

“**Preferred A Distributable Cash**” shall be equal to:

- (a) all cash or cash equivalents which are received by the Trust, for or in respect of the Trust Property acquired with the proceeds of the sale of Preferred A Trust Units, during, or in respect of, such Distribution Period, including amounts on account of interest, income, distributions, dividends, returns of capital, amounts paid on debt held by the Trust, capital gains, and such other amounts as may be determined from time to time by the Trustees or the Administrator to be included in the Preferred A Distributable Cash (which may include amounts taken, in the discretion of the Trustees or the Administrator, out of the Trust's reserves in respect of the Preferred A Trust Units as well as amounts from the proceeds of any Offering of the Preferred A Trust Units);

less the sum of:

- (b) all amounts paid on account of expenses and liabilities attributable to the Preferred A Trust Units for, or in respect of, such Distribution Period as well as an amount in respect of a share of all expenses and liabilities of the Trust which are allocated to Preferred A Trust Units by the Trustees, which in the opinion of the Trustees or Administrator, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period including, without limitation, any accrued liability in respect of undeclared and accumulated distributions on the Preferred A Trust Units;
- (c) all amounts which relate to the repayment of any amount (principal or interest) in respect of any indebtedness of the Trust during such Distribution Period attributable to the Preferred A Trust Units (including Redemption Notes in respect of the redemption of the Preferred A Trust Units);
- (d) all cash amounts used during such Distribution Period for or in connection with loans, advances, investments or other acquisitions of assets by the Trust attributable to the Preferred A Trust Units;
- (e) the aggregate amount of all cash amounts used, or to be used, in respect of the redemption or repurchase of the Preferred A Trust Units called for redemption or repurchase;
- (f) any amount, in addition to those amounts set forth in (b) to (d) above (inclusive), which the Administrator may reasonably consider to be necessary to provide for the payment of any liabilities which have been or will be incurred by the Trust attributable to the Preferred A Trust Units, including any tax liability of the Trust (to the extent that such liabilities have not otherwise been taken into account in determining the Preferred A Distributable Cash hereunder), or for pursuing any purpose or activity of the Trust attributable to the Preferred A Trust Units; and

- (g) an amount as determined in the discretion of the Trustees or the Administrator for reasonable reserves to be maintained for the purposes of satisfying payment of any of the amounts or liabilities of the Trust referred to in (b) to (f) above;

“Preferred A Distribution Amount” means, in respect of any Distribution Period, the portion of the Preferred A Distributable Cash declared payable by the Trustees to the holders of Preferred A Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period;

“Preferred A Growth Distribution Amount” has the meaning set forth under Item 5.1.1 – *Preferred A Trust Units – Distribution Policy*;

“Preferred A Trust Unit” means a preferred A unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust;

“Preferred A(USD) Distributable Cash” shall be equal to:

- (a) all cash or cash equivalents which are received by the Trust, for or in respect of the Trust Property acquired with the proceeds of the sale of Preferred A(USD) Trust Units, during, or in respect of, such Distribution Period, including amounts on account of interest, income, distributions, dividends, returns of capital, amounts paid on debt held by the Trust, capital gains, and such other amounts as may be determined from time to time by the Trustees or the Administrator to be included in the Preferred A(USD) Distributable Cash (which may include amounts taken, in the discretion of the Trustees or the Administrator, out of the Trust's reserves in respect of the Preferred A(USD) Trust Units as well as amounts from the proceeds of any Offering of the Preferred A(USD) Trust Units);

less the sum of:

- (b) all amounts paid on account of expenses and liabilities attributable to the Preferred A(USD) Trust Units for, or in respect of, such Distribution Period as well as an amount in respect of a share of all expenses and liabilities of the Trust which are allocated to Preferred A(USD) Trust Units by the Trustees, which in the opinion of the Trustees or Administrator, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period including, without limitation, any accrued liability in respect of undeclared and accumulated distributions on the Preferred A(USD) Trust Units;
- (c) all amounts which relate to the repayment of any amount (principal or interest) in respect of any indebtedness of the Trust during such Distribution Period attributable to the Preferred A(USD) Trust Units (including Redemption Notes in respect of the redemption of the Preferred A(USD) Trust Units);
- (d) all cash amounts used during such Distribution Period for or in connection with loans, advances, investments or other acquisitions of assets by the Trust attributable to the Preferred A(USD) Trust Units;

- (e) the aggregate amount of all cash amounts used, or to be used, in respect of the redemption or repurchase of the Preferred A(USD) Trust Units called for redemption or repurchase;
- (f) any amount, in addition to those amounts set forth in (b) to (d) above (inclusive), which the Administrator may reasonably consider to be necessary to provide for the payment of any liabilities which have been or will be incurred by the Trust attributable to the Preferred A(USD) Trust Units, including any tax liability of the Trust (to the extent that such liabilities have not otherwise been taken into account in determining the Preferred A(USD) Distributable Cash hereunder), or for pursuing any purpose or activity of the Trust attributable to the Preferred A(USD) Trust Units; and
- (g) an amount as determined in the discretion of the Trustees or the Administrator for reasonable reserves to be maintained for the purposes of satisfying payment of any of the amounts or liabilities of the Trust referred to in (b) to (f) above;

“Preferred A(USD) Distribution Amount” means, in respect of any Distribution Period, the portion of the Preferred A(USD) Distributable Cash declared payable by the Trustees to the holders of Preferred A(USD) Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period;

“Preferred A(USD) Growth Distribution Amount” has the meaning set forth under Item 5.1.2 – *Preferred A(USD) Trust Units – Distribution Policy*;

“Preferred A(USD) Trust Unit” means a preferred A(USD) unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust;

“Preferred Royalty Investment” means an investment by Investco into Target Companies, which is expected to be made by the purchase of Preferred Royalty Units of Target Companies;

“Preferred Royalty Units” means the securities acquired by Investco pursuant to its Preferred Royalty Investments. Such Preferred Royalty Units may represent either a non-voting preferred interest, a debt instrument or other financial instrument or other security of a Target Company or an affiliate thereof. The terms of the securities is expected to provide for the priority of distributions to creditors and other securityholders of the Target Company (including Investco). Further, the terms of such securities will, where appropriate, contain provisions which provide for certain responsibilities and restrictions relating to the Target Company, which may include positive and negative covenants such as maintenance of adequate debt service ratios and debt to EBITDA ratios, events of default, voting control triggers, board representation or board observation rights, equity step-in rights and/or appropriate senior or junior debt security rights, such as a general security agreement, in favor of the holder of Preferred Royalty Units (including Investco), which will be determined by Investco at the time such Preferred Royalty Investment is made;

“Preferred Trust Unit” means the Preferred A Trust Units, Preferred A(USD) Trust Units and any preferred units of beneficial interest in the Trust created by the Trustees and designated as a “Preferred Trust Unit”, issued from time to time in accordance with the Declaration of Trust (or any Supplement) and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust (or any Supplement);

“Preferred Unitholder” or **“holder of Preferred Trust Units”** means a person whose name appears on the register of the Trust as a holder of Preferred Trust Units;

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

“Redemption Notes” means, with respect to a redemption of Trust Units, promissory notes issued in series, or otherwise, by the Trust, which may be issued pursuant to a note indenture or otherwise, and issued to redeeming Unitholders, in principal amounts equal to all or a portion of the Redemption Price for each of the Units, to be redeemed and having the following terms and conditions:

- (a) unsecured and bearing interest from and including the issue date of each such note at a market rate determined by the Trustees or the Administrator for the Trust at the time of issuance, with such interest payable only at the maturity date of the note (with interest after as well as before maturity, default and judgement at such rate);
- (b) subordinated and postponed to (1) all Senior Indebtedness (and which for greater certainty may be subject to specific subordination and postponement agreements to be entered into with holders of such Senior Indebtedness, the terms of which shall be determined by such holders in their sole discretion) and (2) all payments and other obligations owed by the Trust in respect of the Trust Units including distribution entitlements and amounts payable on liquidation, dissolution or winding up of the Trust;
- (c) except as otherwise set forth herein, due and payable prior to the first anniversary of the date of issuance, subject to earlier prepayment without premium or penalty; and
- (d) subject to such other customary terms and conditions as would be included in a note indenture for short-term promissory notes of this kind, as may be approved by the Trustees;

“Redemption Price” means the price per Redemption Unit a Preferred Unitholder or Common Unitholder whose Preferred Trust Units or Common Trust Units, respectively, are being redeemed shall be entitled to receive;

“Redemption Units” means any Common Units or Preferred Trust Units to be redeemed pursuant to the Declaration of Trust;

“Reimbursement Agreement” means the reimbursement agreement dated August 2, 2016 between the Trust, the Administrator and Investco, as amended, supplemented or amended and restated from time to time;

“Senior Indebtedness” shall mean, at any time, all indebtedness, liabilities and obligations of the Trust, which, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by the Redemption Notes or any of them;

“Special Resolution” means:

- (a) a resolution passed by more than 66⅔% of the votes cast by those Unitholders who were entitled to vote and did vote on such resolution, whether cast in person or by proxy, at a

meeting of Unitholders, at which a quorum was present, called (at least in part) for the purpose of approving such resolution; or

- (b) a resolution approved in writing, in one or more counterparts, by Unitholders carrying more than 66⅔% of the votes represented by those Units entitled to be voted on such resolution;

“**Subscriber**” means a subscriber for Tied Units under this Offering Memorandum;

“**Succession**” means collectively, Succession Capital Inc. and its subsidiaries;

“**Supplement**” means the supplemental trust indentures or other documents or instruments supplemental to the Declaration of Trust, which thereafter shall form part of the Declaration of Trust;

“**Target Companies**” means private and public companies across diverse industries outside the mining and oil & gas extraction sectors;

“**Temperance**”, “we”, “us”, or “our” collectively refer to the Trust, Investco, the Administrator and their consolidated subsidiaries;

“**Tied Units**” means collectively, CDN Tied Units and USD Tied Units;

“**Trust**” means Temperance Capital Income Trust, which is formed and governed pursuant to the Declaration of Trust;

“**Trustee**” means at any time, a person who is, in accordance with the provisions of the Declaration of Trust, a trustee of the Trust at that time, and “**Trustees**” means all of them collectively, who are currently Alex Baluta, Roberta Wilson and Michael Denny;

“**Trust Property**”, at any time, means all of the money, properties, securities and other assets of any nature or kind whatsoever as are, at such time, held by the Trust or by the Trustees on behalf of the Trust, and any reference to “**property**” or “**property of the Trust**” or “**assets**” or “**assets of the Trust**” includes, in each case, the Trust Property;

“**Trust Units**” or “**Units**” means the Common Trust Units or Preferred Trust Units, as the case may be, and references in the Declaration of Trust and this Offering Memorandum to Trust Units or Units shall be a reference to Common Trust Units and/or Preferred Trust Units, as the context so requires; and “**Trust Unit**” or “**Unit**” means one Common Trust Unit or one Preferred Trust Unit, as the case may be;

“**Unitholder**” means, at any time, a holder at that time of one or more Trust Units, as shown on any of the registers of the Trust as a holder of one or more Trust Units, and such holders are collectively called “**Unitholders**”; and

“**USD Tied Unit**” means a tied unit of the Trust being offered under this Offering Memorandum that comprised of (i) a Preferred A(USD) Trust Unit and (ii) a Common A Trust Unit; and such units are collectively called “**USD Tied Units**”.

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

SUMMARY OF 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.

Investment Objective:

Temperance is a finance company that has been formed to take advantage of an emerging market opportunity in royalty finance. Temperance intends to offer royalty based financing options to private and public companies (a “**Preferred Royalty Investment**”) across diverse industries outside the mining and oil & gas extraction sectors (collectively, “**Target Companies**”). Temperance intends to focus primarily on manufacturing, industrial, services, healthcare, consumer products and technology based issuers that have their principal operations in Canada and the U.S.

Our primary business objective is to create a substantial, secure, sustainable, growing and diversified stream of royalty cash flow that will be paid out to investors, after expenses. We believe that this objective can be achieved through a strategy of making Preferred Royalty Investments in the form of Preferred Royalty Units in a diversified portfolio of Target Companies with proven management teams, sustainable cash flows and stable operating histories. In the execution of this strategy, Temperance aims to place significant emphasis on due diligence, historical cash flow analysis, quality of management and operational assessment. To mitigate risk, the terms of Investco’s Preferred Royalty Investments will, where appropriate, contain provisions which provide for certain responsibilities and restrictions relating to the Target Company, which may include positive and negative covenants such as maintenance of adequate debt service ratios and debt to EBITDA ratios, events of default, voting control triggers, board representation or board observation rights, equity step-in rights and/or appropriate senior or junior debt security rights, such as a general security agreement, in favor of the holder of Preferred Royalty Units (including Investco), which will be determined by Investco at the time such Preferred Royalty Investment is made.

A Preferred Royalty Investment by Investco will involve investing capital into a Target Company in exchange for a payment which is partially calculated as a percentage of the Target Company’s revenues. Preferred Royalty Investments are expected to carry an initial yield of between 12% to 16% on invested capital and the yield may increase or decrease in correlation with the positive or negative revenue growth of the Target Company. There is no assurance that such initial yields will be obtained or maintained. This financing structure is typically used in situations where bank financing is unavailable or limited as well as in situations where the sale of equity is too intrusive, dilutive or unavailable.

Temperance will be an active business that originates, sources and structures its Preferred Royalty Investments. Preferred Royalty

Investments will, where appropriate, contain provisions which provide for certain responsibilities and restrictions relating to the Target Company. The Trust and the Administrator are affiliates of Investco. The Trust has been established with the objective of investing in Investco. See Item 2 – *Business of the Trust*. Accordingly, Temperance will not be an “investment fund” under applicable securities laws.

Initially, Temperance will use the net proceeds of the Offering to complete the Initial Investment. See Item 2.2.6 – *Initial Investment*. After the completion of the Initial Investment, additional net proceeds of the Offering will be invested in additional Preferred Royalty Investments that meet Temperance’s investment strategy and criteria. Other than the Initial Investment, Temperance is a “blind pool”, meaning that future Preferred Royalty Investments to be made by Temperance have not yet been identified.

Where Temperance determines that an investment opportunity is compelling, it may make Preferred Royalty Investments that do not satisfy all of the investment criteria stated herein.

Investment Strategy and Criteria:

In pursuit of returns, Temperance intends to employ the following disciplines when appropriate:

- Temperance will seek to obtain detailed knowledge of the business of the Target Company;
- Temperance will seek investments that include as many of the following characteristics as possible: (i) established and stable revenue stream; (ii) positive cash flow for some period prior to the Preferred Royalty Investment, and projected into the future; (iii) low levels of existing senior debt; (iv) assets or intellectual property with a liquidation value that exceeds the level of all debt; and
- Temperance will negotiate for provisions for certain responsibilities and restrictions relating to the Target Companies, including, but not limited to, establishing regular reporting requirements and related covenants.

Temperance expects to make investments in the range of \$5 million to \$20 million, subject to availability of capital on cost-effective terms and subject to due diligence and cash flow analysis of Target Companies. Temperance also intends to make follow-on investments in Target Companies where appropriate, subject to defined limits on company, sector and geographic concentration. Because there is no minimum offering amount, there is no assurance that any investment will be in this range or that there will be multiple investments.

Initial Investment:

On May 5, 2016, Temperance Capital Corp. entered into a letter of intent with Lynx with respect to the Initial Investment. Pursuant to the

letter of intent, Investco will initially use the net proceeds of the Offering to invest in up to US\$15 million of Preferred Royalty Units of Succession. Succession owns eleven operating businesses in the U.S. Pursuant to the Initial Investment, Investco is initially expected to receive aggregate payments in an amount equal to 12% per annum, which would be subject to annual adjustments (increase or decrease) within six months following Succession's next financial year end, or approximately January 31, 2018. There is no assurance that such initial yield will be obtained or maintained.

Succession's 11 operating businesses are located in eight U.S. states and are diversified across region, industry, and customers. The companies operate in a variety of industries, including retail kitchenware, jewellery design and manufacturing, trucking, facility maintenance services, and distribution. Distribution businesses are active in diverse markets: women's clothes, religious gifts, jewellery, shoes, industrial fasteners, and building supplies.

In the last fiscal year ended July 31, 2015, Succession's operating companies achieved pro forma revenue of US\$79.5 million and pro forma EBITDA of US\$6.2 million.

See Item 2.2.6 – *Initial Investment* and Item 2.7.5 – *Letter of Intent with Lynx*.

Proposed Closing Date(s):

Closings may occur from time to time at the discretion of the Administrator.

Income Tax Consequences:

Provided that the Trust qualifies as a "mutual fund trust" for purposes of the Income Tax Act at all relevant times, the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units will generally be qualified investments for Exempt Plans. Potential investors should consult their own tax advisors in respect to an investment in Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units. See Item 6 – *Certain Income Tax Consequences and Exempt Plan Eligibility*.

The Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units are subject to Redemption Rights. See Item 2.7.1 – *Declaration of Trust – Redemption Rights*. Within 5 years of their issuance, any redemption of a Preferred A Trust Unit or Preferred A(USD) Trust Unit may result in the mandatory redemption of a Common A Trust Unit purchased as part of a Tied Unit even if the Preferred A Trust Unit, Preferred A(USD) Trust Unit or the Common A Trust Unit has been transferred to a third party.

Investment Fund Manager:	<p>The Trust may in the future retain an investment fund manager (the “Investment Fund Manager”) to provide certain management and administrative and back-office functions. If and when retained, the Investment Fund Manager will be retained on market terms and conditions, including any remuneration for its services. The Investment Fund Manager may be an affiliate of the Trust, the Administrator or Investco.</p>
Selling Agent:	<p>The Trust will retain one or more securities dealers on a non-exclusive basis to effect sales of Tied Units. The Trust will pay a selling commission to such securities dealers of up to 10% of the gross proceeds from the sale of the Tied Units realized at the time of Closing in respect of such sale. It is expected that such selling commissions will be comprised of: (i) a 9% selling commission; and (ii) a 1% fee payable to the lead dealer in the syndicate.</p> <p>The Trust may also pay a fee to certain securities dealers an amount of up to 1% per annum of the aggregate amount that remains invested in the Trust, beginning on the 6th anniversary of such investment. See Item 7 – <i>Compensation Paid to Sellers and Finders</i>.</p>
Conflicts of Interest:	<p>The interests of certain Trustees or the directors and officers of the Administrator and Investco may from time to time be in conflict with the activities of the Trust. Such conflicts are expressly permitted by the terms of the Declaration of Trust. See Item 2.7.1 – <i>Declaration of Trust – Conflicts of Interest</i>.</p>
The Units:	<p>The Offering consists of Tied Units, each of which is either: (i) a CDN Tied Unit comprised of a Preferred A Trust Unit and a Common A Trust Unit; or (ii) a USD Tied Unit comprised of a Preferred A(USD) Trust Unit and a Common A Trust Unit. See Item 2.1 – <i>Structure</i> and Item 5.1 – <i>Terms of Securities</i>.</p>
Distributions:	<p>The Trust will invest: (i) the proceeds from the sale of the Preferred A Trust Units into Investco Notes denominated in Canadian dollars; (ii) the proceeds from the sale of the Preferred A(USD) Trust Units into Investco Notes denominated in US dollars; and (iii) the proceeds from the sale of the Common A Trust Units into Investco Common Shares.</p> <p>The Investco Notes will be short-term, fixed rate, demand promissory notes. The first Investco Notes to be purchased by the Trust will bear interest at a fixed simple interest rate of 8.5% per annum, which will be payable in equal quarterly installments.</p> <p>Upon maturity of the first Investco Note, and each subsequent Investco Note, Investco will deliver to the Trust a new Investco Note having the same principal amount and bearing interest at a fixed simple interest rate which it is anticipated will be 8.5% per annum plus an additional fixed simple interest rate (the “Growth Interest Rate”) determined at the time such new Investco Note is delivered, which will be based on the increase in the income of Investco arising</p>

from organic growth of revenues from its Preferred Royalty Investments (if any) in the previous quarter. It is anticipated that the Growth Interest Rate will be set at a rate such that 80% of the organic growth of revenues of Investco's Preferred Royalty Investments over a five year period (proportionate to the value of the Trust's investments in Investco in the event that there are multiple sources of funding for Investco) will be paid to the Trust as interest on the Investco Note.

As an example, if, after the initial year of the Preferred Royalty Investment, the organic growth of revenues of Investco's Preferred Royalty Investments was 4% per annum, it is expected the interest rate on the Investco Notes after a three year period from the date the Preferred Royalty Investment was made would be approximately 9.19% per annum (8.5% plus a Growth Interest Rate of 0.69%). If there is no organic growth (or a decrease) in the revenues of Investco's Preferred Royalty Investments, the interest rate of the Investco Notes will remain 8.5% per annum.

Any amounts received by the Trust on account of interest earned by the Trust on the Investco Notes will be distributed to the holders of Preferred A Trust Units and Preferred A(USD) Trust Units separately pursuant to the Declaration of Trust. Holders of Preferred A Trust Units and Preferred A(USD) Trust Units will first receive distributions until they have each received a fixed cumulative distribution at the rate of \$0.85 per annum for the Preferred A Trust Units and US\$0.85 per annum for the Preferred A(USD) Trust Units. Any funds remaining (i.e. interest earned by the Trust on account of the Growth Interest Rate) will be distributed to holders of Preferred A Trust Units and Preferred A(USD) Trust Units that have been outstanding for greater than 12 months, with holders of Preferred A Trust Units and Preferred A(USD) Trust Units receiving a greater proportion of such remaining funds as Preferred A Trust Units and Preferred A(USD) Trust Units are held for a longer period. See *Distribution Policy for the Preferred A Trust Units* and *Distribution Policy for the Preferred A(USD) Trust Units* below and Item 2.7.4 – *Investco Notes*.

The holders of Common A Trust Units will receive distributions if and when Investco declares a dividend on the Investco Common Shares. It is within Investco's sole discretion to determine the utilization of available cash flow from Investco's Preferred Royalty Investments for matters beyond satisfying all mandatory liabilities and other payment obligations of Investco, including the Investco Notes. It is the intention of Investco to utilize such available cash flow for acquisitions of additional Preferred Royalty Investments. Therefore, it is not expected that Investco will declare material dividends on the Investco Common Shares.

Distribution Policy for Preferred A Trust Units

The Trustees, on behalf of the Trust, in respect of each Distribution Period, shall declare payable to holders of Preferred A Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period, the Preferred A Distribution Amount as follows:

- (a) First, the Preferred A Distribution Amount shall be distributed to the holders of Preferred A Trust Units, without preference or priority, until each such holder of Preferred A Trust Units shall have received a fixed cumulative distribution at the rate of \$0.85 per unit per year, as adjusted (if necessary) to properly reflect the duration of the Distribution Period if other than 12 months.

In the event that a Preferred A Trust Unit was not issued and outstanding on each day within such Distribution Period then the Preferred A Distribution Amount in respect of such Preferred A Trust Unit shall be adjusted to be the product obtained when such amount is multiplied by the quotient obtained when (i) the number of days in the Distribution Period during which such Preferred A Trust Unit was issued and outstanding, is divided by (ii) the total number of days in the Distribution Period, and such amount shall be payable as the distribution in respect of such Preferred A Trust Unit. Such adjustment calculation shall be made in respect of each Preferred A Trust Unit which was not issued and outstanding on each day within the Distribution Period.

- (b) Second, after the payment in full of the distribution in paragraph (a) above, the Preferred A Growth Distribution Amount, if any, shall be distributed to holders of Eligible Preferred A Trust Units. The holder of each Eligible Preferred A Trust Unit will be entitled to a share of the Preferred A Growth Distribution Amount which shall be determined by multiplying the Preferred A Growth Distribution Amount by a fraction, the numerator of which is the number of fiscal quarters (rounded up for partial quarters) that such Eligible Preferred A Trust Unit has been outstanding, and the denominator of which is the sum of the number of fiscal quarters (rounded up for partial quarters) that all Eligible Preferred A Trust Units have been outstanding.

Subject to the Declaration of Trust, the Preferred A Distribution Amount payable to holders of Preferred A Trust Units in respect of a Distribution Period (as determined pursuant to paragraphs (a) and (b) above) shall be paid in cash on or before the Distribution Payment Date attributable to such Distribution Period, provided that if the Distribution Record Date is on or after October 1 in any calendar year then the Distribution Amount payable to holders of Preferred A Trust Units for the Distribution Period pertaining to such Distribution

Record Date shall be due and payable as of 5:00 p.m. (Toronto time) on December 31 in such year.

See Item 5.1.1 – *Preferred A Trust Units – Distribution Policy*.

Distribution Policy for Preferred A(USD) Trust Units

The Trustees, on behalf of the Trust, in respect of each Distribution Period, shall declare payable to holders of Preferred A(USD) Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period, the Preferred A(USD) Distribution Amount as follows:

- (a) First, the Preferred A(USD) Distribution Amount shall be distributed to the holders of Preferred A(USD) Trust Units, without preference or priority, until each such holder of Preferred A(USD) Trust Units shall have received a fixed cumulative distribution at the rate of US\$0.85 per unit per year, as adjusted (if necessary) to properly reflect the duration of the Distribution Period if other than 12 months.

In the event that a Preferred A(USD) Trust Unit was not issued and outstanding on each day within such Distribution Period then the Preferred A(USD) Distribution Amount in respect of such Preferred A(USD) Trust Unit shall be adjusted to be the product obtained when such amount is multiplied by the quotient obtained when (i) the number of days in the Distribution Period during which such Preferred A(USD) Trust Unit was issued and outstanding, is divided by (ii) the total number of days in the Distribution Period, and such amount shall be payable as the distribution in respect of such Preferred A(USD) Trust Unit. Such adjustment calculation shall be made in respect of each Preferred A(USD) Trust Unit which was not issued and outstanding on each day within the Distribution Period.

- (b) Second, after the payment in full of the distribution in paragraph (a) above, the Preferred A(USD) Growth Distribution Amount, if any, shall be distributed to holders of Eligible Preferred A(USD) Trust Units. The holder of each Eligible Preferred A(USD) Trust Unit will be entitled to a share of the Preferred A(USD) Growth Distribution Amount which shall be determined by multiplying the Preferred A(USD) Growth Distribution Amount by a fraction, the numerator of which is the number of fiscal quarters (rounded up for partial quarters) that such Eligible Preferred A(USD) Trust Unit has been outstanding, and the denominator of which is the sum of the number of fiscal quarters (rounded up for partial quarters) that all Eligible Preferred A(USD) Trust Units have been outstanding.

Subject to the Declaration of Trust, the Preferred A(USD) Distribution Amount payable to holders of Preferred A(USD) Trust Units in respect of a Distribution Period (as determined pursuant to paragraphs (a) and (b) above) shall be paid in cash on or before the Distribution Payment Date attributable to such Distribution Period, provided that if the Distribution Record Date is on or after October 1 in any calendar year then the Distribution Amount payable to holders of Preferred A(USD) Trust Units for the Distribution Period pertaining to such Distribution Record Date shall be due and payable as of 5:00 p.m. (Toronto time) on December 31 in such year.

See Item 5.1.2 – *Preferred A(USD) Trust Units – Distribution Policy*.

Distribution Policy for Common A Trust Units

The Trustees, on behalf of the Trust, in respect of each Distribution Period, shall declare payable to holders of Common A Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period, the Common A Distribution Amount as follows.

Each Common A Trust Unit issued and outstanding on the Distribution Record Date for a particular Distribution Period shall be entitled, without preference or priority, to an equal share of the amount of the Common A Distribution Amount which is declared payable to the holders of Common A Trust Units above for such particular Distribution Period, which share shall be determined by dividing the amount of such Common A Distribution Amount declared payable to the holders of the Common A Trust Units by the number of issued and outstanding Common A Trust Units on such Distribution Record Date.

Subject to the Declaration of Trust, the Common A Distribution Amount payable to holders of Common A Trust Units in respect of a Distribution Period shall be paid in cash on or before the Distribution Payment Date attributable to such Distribution Period, provided that if the Distribution Record Date is on or after October 1 in any calendar year then the Distribution Amount payable to holders of Common A Trust Units for the Distribution Period pertaining to such Distribution Record Date shall be due and payable as of 5:00 p.m. (Toronto time) on December 31 in such year.

See Item 5.1.3 – *Common A Trust Units – Distribution Policy*.

Distribution Reinvestment Plan:

The Trust is expected to adopt a distribution reinvestment plan (the “**DRIP**”) that will allow eligible holders of Preferred Trust Units to elect to have their quarterly cash distributions reinvested in additional Tied Units at a purchase price as may be determined by the Trustee from time to time. See Item 2.7.6 – *Summary of Distribution Reinvestment Plan*.

Redemptions:

The Trust is entitled at any time and from time to time, in accordance with the terms and conditions set forth in the Declaration of Trust, to redeem all or any part of the issued and outstanding Preferred Trust Units at the purchase price of such Preferred Trust Units (any Common Trust Units or Preferred Trust Units to be redeemed are collectively referred to as the “**Redemption Units**”).

Each Preferred Unitholder shall be entitled to require the Trust to redeem at any time and from time to time at the demand of the holder, in accordance with the terms and conditions set forth in the Declaration of Trust, all or any part of the Preferred Trust Units registered in the name of the Preferred Unitholder at the redemption price set forth under Item 2.7.1 – *Declaration of Trust – Redemption Rights*.

In the event that any Preferred Trust Units issued on a date that was five years or less prior to the date upon which such Preferred Trust Units have been tendered for redemption by a Preferred Unitholder, the Trust is entitled to also redeem any Common Trust Units that were issued in connection with the Preferred Trust Units being redeemed at the purchase price of such Common Trust Units, in accordance with the terms and conditions of the Declaration of Trust.

See Item 2.7.1 – *Declaration of Trust – Redemption Rights*.

Term of the Trust:

Subject to earlier termination, the Trust shall continue for a term ending 21 years after the date of the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on August 2, 2016. The Trust shall commence its wind-up and termination upon the first of the following to occur: (a) a proposal to the Common B Unitholders, by the Administrator, to wind-up and terminate the Trust, which proposal is approved by way of a Special Resolution; or (b) the date upon which each of the material businesses in which the Trust holds an interest, or has otherwise invested, have been liquidated. See Item 2.7.1 – *Declaration of Trust – Term of the Trust and Distribution on Wind-Up*.

Trustees:

The Trustees are Alex Baluta, Robert Wilson and Michael Denny. The Trustees are 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 Declaration of Trust. However, the Trustees, on behalf of the Trust, have retained the Administrator to carry out the duties of the Trustees under the Declaration of Trust and have delegated to the Administrator the power and authority to manage and direct the day-to-day business, operations and affairs of the Trust. See

Item 2.7.1 – *Declaration of Trust – The Administrator* and Item 2.7.2 – *Administration Agreement*.

Concurrent and Subsequent Offerings:

Concurrent with or subsequent to this Offering of Tied Units, the Trust may also offer additional Common A Trust Units, Preferred A Trust Units, Preferred A(USD) Trust Units or Preferred Trust Units of any other class or series from time to time. Further, Investco may offer additional Investco Common Shares or other securities of Investco from time to time.

Risk Factors:

It is strongly recommended that each Subscriber, in order to assess tax, legal and other aspects of an investment in Tied Units, obtain independent advice with respect to the Offering and this Offering Memorandum. An investment in the Tied 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 the Tied 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 Trustees and Administrator should not subscribe for Tied Units.

There is no market for Preferred A Trust Units, Preferred A(USD) Trust Units or Common A Trust Units and the transfer of Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units is significantly limited and in some circumstances prohibited. An investment in the Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust 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.

An investment in Tied Units should only be made after consultation with independent qualified sources of investment and tax advice. An investment in the Trust is speculative and involves a high degree of risk and is not intended as a complete investment program.

There is a risk that an investment in the Trust will be lost entirely. Only investors who do not require immediate liquidity of the investment and who can afford the loss of the entire investment should consider the purchase of Tied Units. See Item 8 – *Risk Factors*.

ITEM 1. USE OF AVAILABLE FUNDS

1.1 Funds

The net proceeds of the Offering and the total funds which are anticipated to be available to the Trust are as follows:

		Assuming \$20,002,000 Offering⁽¹⁾
A	Amount to be raised by this Offering	\$20,002,000
B	Selling commissions and fees ⁽²⁾⁽³⁾⁽⁴⁾	(\$2,000,200)
C	Estimated Offering costs (e.g. legal, accounting, etc.) ⁽²⁾⁽³⁾⁽⁴⁾	(\$200,000)
D	Available Funds: $D = A - (B+C)$ ⁽⁵⁾	\$17,801,800
E	Additional Sources of Funding Required	\$0
F	Working Capital Deficiency	\$0
G	Total: $G = (D+E) - F$ ⁽⁵⁾	\$17,801,800

Notes:

- (1) There is no minimum or maximum amount of funds to be raised pursuant to the Offering. For illustrative purposes only, this amount assumes an Offering of \$20,002,000 (2,000,000 CDN Tied Units prior to December 31, 2016).
- (2) The Trust will pay selling commissions to securities dealers of up to 10% of the gross proceeds from the sale of the Tied Units realized at the time of Closing in respect of such sale. It is expected that such selling commissions will be comprised of: (i) a 9% selling commission; and (ii) a 1% fee payable to the lead dealer in the syndicate. Assuming a \$20,002,000 Offering (2,000,000 CDN Tied Units prior to December 31, 2016) and that the Trust pays the maximum commissions of 10% of the gross proceeds realized on the sale of the CDN Tied Units, the Trust will incur commission payments of \$2,000,200 and offering costs of \$200,000 on closing. See Item 7 – *Compensation Paid to Sellers and Finders*.
- (3) The Trust may, from time to time, enter into agreements with third parties to provide marketing, administration and related services in connection with the Offering on such terms and conditions as may be deemed advisable by the Trustees or the Administrator. The above table does not assume any fees payable in connection with such arrangements.
- (4) Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust and the Administrator in connection with the Offering for funds invested in Investco. See Item 2.7.3 – *Reimbursement Agreement*. In addition, Temperance Capital Corp. has agreed to pay, without reimbursement, the initial expenses of the Trust and Investco (including offering costs and compensation for directors and officers) up to \$375,000.
- (5) The Trust intends to invest the gross proceeds it receives from the Offering in Investco Notes and Investco Common Shares. Assuming a \$20,002,000 Offering (2,000,000 CDN Tied Units prior to December 31, 2016), the net proceeds that will be available for investment by Investco following the Offering, after payment of the selling commissions, administration fees and offering costs by Investco, will be \$17,801,800, which will be used to complete the Initial Investment and make additional Preferred Royalty Investments.

1.2 Use of Available Funds

Description of intended use of available funds listed in order of priority	Assuming \$20,002,000 Offering⁽¹⁾
The Trust will invest: (i) the proceeds from the sale of the Preferred A Trust Units into Investco Notes denominated in Canadian dollars; (ii) the proceeds from the sale of the Preferred A(USD) Trust Units into Investco Notes denominated in US dollars; and (iii) the proceeds from the sale of the Common A	\$17,801,800 ⁽²⁾

Trust Units into Investco Common Shares.	
Investco will use the net proceeds of the Offering to complete the Initial Investment and make additional Preferred Royalty Investments that meet Temperance's investment strategy and criteria.	

Notes:

- (1) There is no minimum or maximum amount of funds to be raised pursuant to the Offering. For illustrative purposes only, this amount assumes an Offering of \$20,002,000 (2,000,000 CDN Tied Units prior to December 31, 2016).
- (2) Assuming a \$20,002,000 Offering (2,000,000 CDN Tied Units prior to December 31, 2016), The Trust anticipates incurring commission payments of \$2,000,200 and offering costs of \$200,000 on closing, which amounts shall be reimbursed by Investco. See Item 7 – *Compensation Paid to Sellers and Finders* and Item 2.7.3 – *Reimbursement Agreement*.

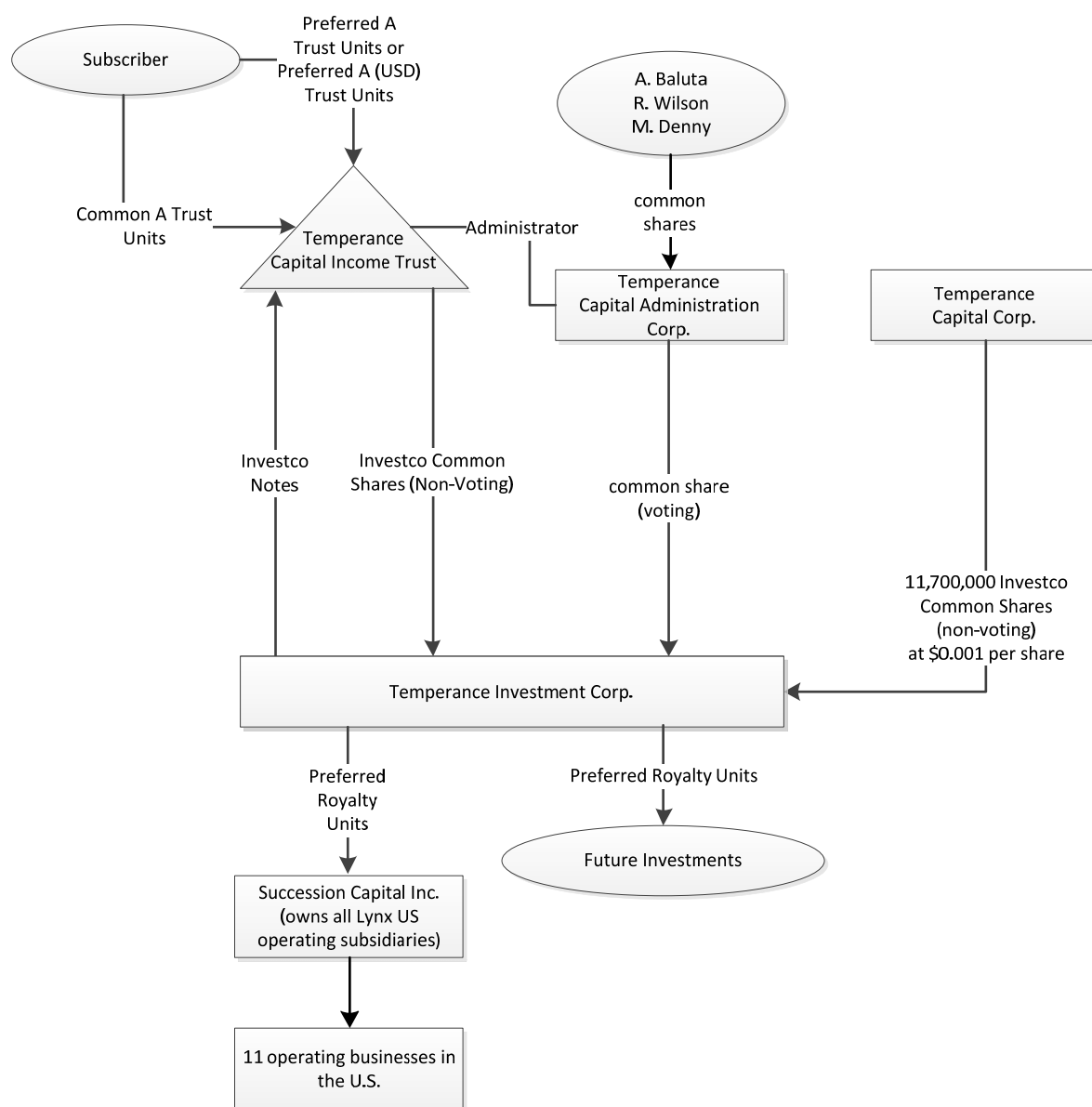
1.3 Reallocation

The Trust intends to utilize the available funds (net proceeds) as stated above, and the Trust will reallocate funds only for sound business reasons as determined at the sole discretion of the Trustees or the Administrator.

ITEM 2. BUSINESS OF THE TRUST

2.1 Structure

The following diagram sets out the structure of Temperance subsequent to the completion of the Initial Investment. As at the date hereof, Temperance Capital Corp. owns 100% of the equity interests of Investco.



2.1.1 The Trust

The Trust is an unincorporated open ended trust, governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The Trust was created on August 2, 2016 pursuant to the Declaration of Trust. Although it is intended that the Trust qualify as a “mutual fund trust” pursuant to the Income Tax Act, the Trust will not be a “mutual fund” under applicable securities laws.

Alex Baluta, Robert Wilson and Michael Denny are the Trustees of the Trust. The Trustees are 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 Declaration of Trust. However, the Trustees, on behalf of the Trust, have retained the Administrator to carry out the duties of the Trustees under the Declaration of Trust and have delegated to the Administrator the power and authority to manage and direct the day to day business, operations and affairs of the Trust. The Trustees are also directors and officers of the Administrator and Investco.

The head office of the Trust is located at 1010-130 Adelaide Street West, Toronto, Ontario M5H 3P5.

2.1.2 The Administrator

The Administrator, Temperance Capital Administration Corp., was incorporated on July 15, 2016 under the laws of the Province of Ontario and will manage, along with the Trustees, the affairs of the Trust.

The Administrator will provide and perform certain administrative, management and governance services as may be required or advisable from time to time in order to administer, manage and govern the operations of the Trust pursuant to the terms of the Declaration of Trust and the Administration Agreement. The Trustees are not at arm's length to the Administrator. The directors and officers of the Administrator are Alex Baluta, Robert Wilson and Michael Denny, who are also the Trustees and directors and officers of Investco. The Administrator is also the sole voting shareholder of Investco.

The head office of the Administrator is located at 1010-130 Adelaide Street West, Toronto, Ontario M5H 3P5.

2.1.3 Investco

Investco was incorporated on July 15, 2016 under the laws of the Province of Ontario. The business of Temperance is expected to be conducted through Investco. Investco will hold all of the Preferred Royalty Investments of Temperance, including the Initial Investment. The directors and officers of Investco include Alex Baluta, Robert Wilson and Michael Denny, who are also the Trustees and directors and officers of the Administrator. As at the date hereof, Temperance Capital Corp., owns 100% of the equity interests of Investco.

The head office of Investco is located at 1010-130 Adelaide Street West, Toronto, Ontario M5H 3P5.

The Trust will invest: (i) the proceeds from the sale of the Preferred A Trust Units into Investco Notes denominated in Canadian dollars; (ii) the proceeds from the sale of the Preferred A(USD) Trust Units into Investco Notes denominated in US dollars; and (iii) the proceeds from the sale of the Common A Trust Units into Investco Common Shares.

Investco will use the proceeds of the Offering to complete the Initial Investment. See Item 2.2.6 – *Initial Investment*. After the completion of the Initial Investment, additional net proceeds of the Offering will be invested in additional Preferred Royalty Investments that meet Temperance's investment strategy and criteria. Other than the Initial Investment, Temperance is a "blind pool", meaning that future Preferred Royalty Investments to be made by Temperance have not yet been identified.

The ability of the Trust to make cash distributions on its Trust Units will be principally dependent upon the Trust receiving payments from Investco pursuant to the Investco Notes and Investco Common Shares to be acquired by the Trust. Such payments from Investco are dependent on the payments Investco receives from its Preferred Royalty Investments. See Item 8 – *Risk Factors*.

2.1.4 Temperance Capital Corp.

Temperance Capital Corp. was originally incorporated under the name “Commercial Royalty Capital Corp.” pursuant to the *Business Corporations Act* (Alberta) on October 22, 2014. On January 29, 2015, by articles of amendment, the name was changed to “Temperance Capital Corp.” Temperance Capital Corp. was incorporated to engage in the business of providing royalty finance. Temperance Capital Corp. is owned by the members of its management team (including Alex Baluta and Robert Wilson), as well as two Canadian investment funds and other individual investors who have provided aggregate seed funding of \$1,171,025 to date. See Item 3.1 – *Compensation and Securities Held*. Since 2014, Temperance Capital Corp. has reviewed a significant number of investment opportunities and expects that the number of prospective investment opportunities to increase over time as Temperance’s brand and visibility in the market increases. In addition, Temperance Capital Corp. has agreed to pay, without reimbursement, the initial expenses of the Trust and Investco (including offering costs and compensation for directors and officers) up to \$375,000.

2.1.5 Investment Fund Manager

The Trust may in the future retain the Investment Fund Manager to provide certain management and administrative and back-office functions. If and when retained, the Investment Fund Manager will be retained on market terms and conditions, including any remuneration for its services. The Investment Fund Manager may be an affiliate of the Trust, the Administrator or Investco.

2.2 Our Business

2.2.1 Summary

Temperance is a finance company that has been formed to take advantage of an emerging market opportunity in royalty finance. Temperance intends to make Preferred Royalty Investments into Target Companies outside the mining and oil & gas extraction sectors. Temperance intends to focus primarily on manufacturing, industrial, services, healthcare, consumer products and technology based issuers that have their principal operations in Canada and the U.S.

The royalty structure is commonly used in the Canadian mining and oil & gas sectors to support the capital requirements of issuers at every stage in the exploration, development and production lifecycle. However, we believe that in recent times, the market for Preferred Royalty Investments has expanded, with new entrants offering these financing options to non-resource companies. A Preferred Royalty Investment involves investing capital into a Target Company’s business in exchange for a payment which is partially calculated as a percentage of the Target Company’s revenues. This financing structure is typically used in situations where bank financing is unavailable or limited as well as in situations where the sale of equity is too intrusive, dilutive or unavailable.

We believe that the primary drivers of growth in this segment of the private financing marketplace reflect: (i) the conservative nature of bank lending; (ii) the lack of small, non-control-focused private equity and venture funds; and (iii) the challenging market conditions for raising public capital. Further, we believe that the royalty model has also grown as a result of the low interest rate environment and investor desire for stable yield.

We believe that Preferred Royalty Investments fill a significant gap in the marketplace, which has been historically addressed by subordinated debt lenders. Preferred Royalty Investments are designed to provide non-dilutive financing options for issuers while delivering a predictable income stream to investors. Since Preferred Royalty Investments typically rank in priority over equity securities on

liquidation, while providing a variable yield linked to operating performance, royalties have a hybrid of debt and equity security characteristics. We believe that the gross addressable market for Preferred Royalty Investments is at least \$100 billion in Canada and the U.S.

We believe that demand for Preferred Royalty Investment options far exceeds available capital allocated to this market segment. We believe that the sub-\$20 million market for Preferred Royalty Investment financing transactions in Canada and the U.S. is particularly underserved and represents a significant opportunity for Temperance. While Temperance is not restricted to U.S. and Canadian investments, these markets will be its initial focus.

Our primary business objective is to create a substantial, secure, sustainable, growing and diversified stream of royalty cash flow that will be paid out to investors, after expenses. We believe that this objective can be achieved through a strategy of making Preferred Royalty Investments in the form of Preferred Royalty Units in a diversified portfolio of Target Companies with proven management teams, sustainable cash flows and stable operating histories.

A Preferred Royalty Investment by Investco will involve investing capital into a Target Company in exchange for a payment which is partially calculated as a percentage of the Target Company's revenues. Preferred Royalty Investments are expected to carry an initial yield of between 12% to 16% on invested capital and the yield may increase or decrease in correlation with the positive or negative revenue growth of the Target Company. There is no assurance that such initial yields will be obtained or maintained. This financing structure is typically used in situations where bank financing is unavailable or limited as well as in situations where the sale of equity is too intrusive, dilutive or unavailable.

A Preferred Royalty Investment by Temperance is intended to be a permanent source of capital for the Target Company, however it is repayable at the Target Company's option. Such repayment, if any, will typically be subject to a repayment premium. Temperance is focused on Preferred Royalty Investments with investment amounts ranging from \$5 million and \$20 million. We expect that Target Companies will typically have revenues in the range of \$10 million to \$50 million, with positive operating cash flow and target EBITDA of \$1 million to more than \$5 million.

Temperance will be an active business that originates, sources and structures its Preferred Royalty Investments. Preferred Royalty Investments will, where appropriate, contain provisions which provide for certain responsibilities and restrictions relating to the Target Company. The Trust and the Administrator are affiliates of Investco. The Trust has been established with the objective of investing in Investco. Accordingly, Temperance will not be an "investment fund" under applicable securities laws.

Temperance will use the net proceeds of the Offering to complete the Initial Investment. After the completion of the Initial Investment, additional net proceeds of the Offering will be invested in additional Preferred Royalty Investments that meet Temperance's investment strategy and criteria. Other than the Initial Investment, Temperance is a "blind pool", meaning that future Preferred Royalty Investments to be made by Temperance have not yet been identified.

2.2.2 Market Opportunity

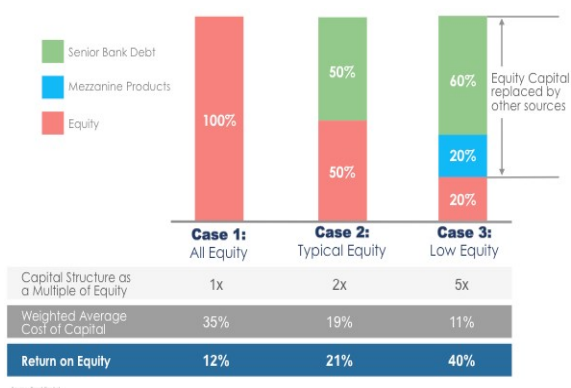
The addressable market for Preferred Royalty Investments that Temperance intends to target is small and medium sized enterprises in Canada and the U.S. Given that the Preferred Royalty Unit structure has both equity and debt characteristics, this structure could be used as a substitute or to complement other forms of financing.

The typical capital structure of a business will involve various layers of funding with senior debt (typically bank debt) and some form of equity being the most common.

Provided a business qualifies for bank debt, this is generally the most common form of external financing. In businesses where capital assets are used, financing may also be available from asset-based lenders, which include the banks and other independent players.

In instances where there are not sufficient assets and/or cash flow to support typical bank debt or asset based lending, or where capital requirements exceed permitted lending limits, businesses can turn to private equity or mezzanine capital.

For many businesses, the cost of private equity and mezzanine financing, in terms of dilution, governance, operational control and requirements for liquidity create difficult negotiations. While some larger companies may seek to raise funds in the public equity markets, this option is uncertain, typically costly and subjects the business to significant ongoing reporting, compliance and governance obligations. Further, upon listing, the ability of the company to raise capital is largely dependent on external considerations such as market conditions, volume and liquidity, and the trading price of its securities.



For the above reasons, a Preferred Royalty Investment structure can represent an attractive, less costly alternative compared to a financing which involves the issuance of equity. Further, securing financing that is subordinated to its senior lenders may allow a business to increase its senior debt and thereby lower its overall cost of capital.

Management believes that the competitive advantages of a Preferred Royalty Investment structure over that of a subordinated/mezzanine debt structure for a Target Company are as follows:

- (a) **Repayment:** A Preferred Royalty Investment is intended to be a permanent investment, but is repayable at the Target Company's option, whereas subordinated/mezzanine debt typically has a fixed term for repayment.
- (b) **No Equity Kicker or Predetermined Exit Date:** Most subordinated/mezzanine debt structures often have an equity component and a related requirement for the Target Company to repurchase the equity at some pre-determined price or formula.
- (c) **Flexible Rate:** A Preferred Royalty Investment structure incorporates an ongoing payment obligation which has a variable component linked to the growth in the revenues of the Target Company, whereas a subordinated/mezzanine debt structure generally has a fixed rate of interest.
- (d) **Less Control:** A Preferred Royalty Investment structure differs from an equity or subordinated/mezzanine debt structure with an equity kicker, which will be more restrictive in terms of covenants and restrictions on operations, capital spending, and board representation rights.

A Preferred Royalty Investment is expected to rank ahead of equity in a liquidation (but subordinate to indebtedness). As a result, a Preferred Royalty Investment is expected to have priority in a potential claim on the assets of a Target Company over that of common equity holders. From an investors perspective,

this means that a Preferred Royalty Investment represents a less risky investment than a common equity investment.

2.2.3 Investment Strategy and Criteria

Investment Objectives

Our primary business objective is to create a substantial, secure, sustainable, growing and diversified stream of royalty cash flow that will be paid out to investors, after expenses. We believe that this objective can be achieved through a strategy of making Preferred Royalty Investments in the form of Preferred Royalty Units in a diversified portfolio of Target Companies with proven management teams, sustainable cash flows and stable operating histories.

In the execution of this strategy, Temperance aims to place significant emphasis on due diligence, historical cash flow analysis, quality of management and operational assessment. To mitigate risk, the terms of Investco's Preferred Royalty Investments will, where appropriate, contain provisions which provide for certain responsibilities and restrictions relating to the Target Company, which may include positive and negative covenants such as maintenance of adequate debt service ratios and debt to EBITDA ratios, events of default, voting control triggers, board representation or board observation rights, equity step-in rights and/or appropriate senior or junior debt security rights, such as a general security agreement, in favor of the holder of Preferred Royalty Units (including Investco), which will be determined by Investco at the time such Preferred Royalty Investment is made.

Temperance also aims to adopt a disciplined approach to origination of deal-flow, portfolio management for Target Companies, and overall expense management and operational efficiency. In most cases, for example, Temperance expects to invest in Target Companies that, by their nature, are less attractive to growth-oriented private equity or public equity investors.

A Preferred Royalty Investment by Investco will involve investing capital into a Target Company in exchange for a payment which is partially calculated as a percentage of the Target Company's revenues. Preferred Royalty Investments are expected to carry an initial yield of between 12% to 16% on invested capital and the yield may increase or decrease in correlation with the positive or negative revenue growth of the Target Company. There is no assurance that such initial yields will be obtained or maintained.

Where Temperance determines that an investment opportunity is compelling, it may make Preferred Royalty Investments that do not satisfy all of the investment criteria stated herein.

Qualification of Investment Opportunities

In pursuit of returns, Temperance intends to employ the following disciplines when appropriate:

- Temperance will seek to obtain detailed knowledge of the business of the Target Company;
- Temperance will seek investments that include as many of the following characteristics as possible: (i) established and stable revenue stream; (ii) positive cash flow for some period prior to the Preferred Royalty Investment, and projected into the future; (iii) low levels of existing senior debt; (iv) assets or intellectual property with a liquidation value that exceeds the level of all debt; and

- Temperance will negotiate for provisions for certain responsibilities and restrictions relating to the Target Companies, including, but not limited to, establishing regular reporting requirements and related covenants.

Investment Size and Diversification

Part of the objective of Temperance is to achieve a high level of diversification in its investment portfolio. As such, Temperance intends to consider investments in all sectors of the North American economy, other than the mining and oil & gas extraction sectors.

Temperance expects to make investments in the range of \$5 million to \$20 million, subject to availability of capital, on cost-effective terms and subject to due diligence and cash flow analysis of Target Companies. Temperance also intends to make follow-on investments in Target Companies where appropriate, subject to defined limits on company, sector and geographic concentration. Because there is no minimum offering amount, there is no assurance that any investment will be in this range or that there will be multiple investments.

Deal Flow and Opportunity Funnel

Management will also rely on their extensive network of contacts and relationships to source investment opportunities. A strategy of Temperance is to also build relationships with business service providers such as accountants, lawyers, brokers and others professionals who could potentially refer Target Companies seeking capital to Temperance. Since 2014, Temperance Capital Corp. has reviewed a significant number of investment opportunities and expects that the number of prospective investment opportunities to increase over time as Temperance's brand and visibility in the market increases.

Structure of Preferred Royalty Investments Into Target Companies

Temperance's Preferred Royalty Investments will be implemented primarily through Preferred Royalty Units, however Temperance may consider other appropriate investment structures, as determined by Temperance from time to time. The final structure used will depend on the requirements of each Target Company's corporate structure, tax attributes, securities law requirements and other considerations.

A Preferred Royalty Investment will generally have the following characteristics:

- (a) the investment is perpetual with no fixed term for repayment; and
- (b) the payment amount or royalty is based on a percentage of revenues, gross margin or some other "top line" metric.

The Preferred Royalty Unit characteristics specific to Temperance's investment strategy are as follows:

- (a) The royalty payment amount will be payable monthly and will be fixed for approximately the first 12 months based on the Target Company's most recent top line metric (the "**Initial Royalty Payment**"), which will be adjusted upward or downward in correlation with the positive or negative revenue growth of the Target Company. Adjustments to the Initial Royalty Payment will generally be subject to an annual minimum and maximum percentage change (the "**collar**"). While the terms of the collar will vary depending on the nature of the investment, the typical structure will be that the royalty payment will have a cap and a floor expressed as a percentage of the Initial Royalty Payment.

- (b) The terms of the Preferred Royalty Unit investments will contain provisions which provide for certain responsibilities and restrictions relating to the Target Company, which may include positive and negative covenants such as maintenance of adequate debt service ratios and debt to EBITDA ratios, events of default, voting control triggers, board representation or board observation rights, equity step-in rights and/or appropriate senior or junior debt security rights, such as a general security agreement. These conditions will vary depending on the nature of the Target Company and the terms of the senior debt and/or the other subordinated debt.

It is expected that a Preferred Royalty Investment may be repaid by the Target Company at its option. Such repayment, if any, will typically be subject to a repayment premium.

Due Diligence and Approval Process

The due diligence process to be undertaken by Temperance will include review of the Target Company's financial information, business strategy, operations, management, product, industry and other relevant items. This process will start with an initial screening of the business and financial statements to determine if the Target Company has a record of sufficient Net Free Cash Flow to carry financial expenses and/or assets to pledge as security. The history of cash flow is considered in the context of sustainable improvement or deterioration in gross margin, which have taken place over a three or four year timeframe.

The balance sheet and accompanying notes of the Target Company will be examined to assess: (i) financial obligations; (ii) working capital requirements and the effect on Net Free Cash Flow, and; (iii) off balance sheet obligations.

Net Free Cash Flow is applied to the debt and equity structure, which the company intends to deploy going forward (pro-forma capitalization). Historical Net Free Cash Flow is examined in the context of the Target Company's financial obligations such as interest, principal payments, put obligations, limited partnership obligations and payments under our royalty. In all cases, a Preferred Royalty Investment will include a financial covenant for Net Free Cash Flow coverage.

Temperance will not generally invest in Target Companies which have a significant amount of senior debt relative to the size of the Preferred Royalty Investment.

Upon completion of the initial financial screening, Temperance will undertake the following steps in its due diligence process:

- (a) industry investigation including review of size, growth, competition, governing legislation and product positioning;
- (b) meet with the senior executives;
- (c) visit Target Company facilities and meet the operations team to review questions and discuss strategy. The strength of management will be assessed in terms of their individual experience, history of working together and track record in the industry;
- (d) undertake calls with customers and suppliers to assess the history of the relationship, pricing dynamics and expected future opportunities;

- (e) undertake a call with the Target Company's auditor to determine: (i) what level of investigations and testing done as part of the audit process; and (ii) what is the state of the Target Company internal financial controls;
- (f) background check on management including criminal background check, outstanding claims and professional history;
- (g) review of the Target Company's legal status including corporate structure, material document review, intellectual property, banking agreements; and
- (h) other items of due diligence which are appropriate to qualify the investment.

In all instances the accounting policies used by the Target Company are considered in the context of revenue recognition, cost of sales, inventory costing, and other factors to ensure any distortions are understood.

In some instances, Temperance will engage an independent accounting firm to provide a Quality of Earnings Report ("QOE"). The purpose of a QOE report is to examine the revenues and costs and analyze the internal versus external forces, which affect each line item. A QOE report will include an analysis of the following areas: (i) breakdown of revenue by appropriate components, such as customers and product/service lines; (ii) analysis of historic revenue trends; (iii) determination of one-time expenses vs. recurring expenses; (iv) determination of fixed vs. variable costs; and (v) analysis of impact on both revenue and expenses due to management changes and analysis of assumptions used in cash flow projections and scenario analysis.

Investment Committee

Investco has implemented an investment committee, which is comprised of senior management and two independent members of the board of directors, to approve all investment decisions. The process for approving an investment involves the preparation of an investment memorandum by management which describes the Target Company, products and services, customers, competition, industry size and dynamics, pricing and cost metrics, capital structure and proposed transaction. The memorandum is distributed for comment to the investment committee after which a meeting of the committee is constituted. Approval of a majority of the members of the investment committee is required before any Preferred Royalty Investment can be made.

2.2.4 Competitive Environment

While Temperance expects to compete with providers of subordinated/mezzanine debt, there is a small but growing number of companies that specialize in providing Preferred Royalty Investments in Canada. The principal public companies active in this sector include Alaris Royalty Corporation (TSX: AD) and Diversified Royalty Corporation (TSX: DIV), both of which are reporting issuers that file public disclosure documents, which can be found under their profiles at www.sedar.ca.

2.2.5 Advisory Board

Temperance has formed an advisory board to provide guidance and direction to Management. The board will meet on a regular basis to review the progress of Temperance and provide guidance as well as referrals to sources of funding and investment opportunities. As at the date hereof, the members of the board of advisors and additional biographical information for each member are set out below.

Joseph Canavan – Mr. Canavan is the former Chairman and Chief Executive Officer of Assante Wealth Management, and was previously Founder, President and CEO of Synergy Asset Management. Other positions he has held include Vice Chairman of the Children’s Aid Foundation and Director of the Fraser Institute, and he has recently retired from the board of directors of the National Ballet of Canada.

Borys Chabursky – Mr. Chabursky is the Founder and President of SHI Consulting, a global life sciences strategy consulting firm. Mr. Chabursky is an entrepreneur and angel investor who has invested in over 40 companies. He is a board member of the Young President Organization’s Ontario Chapter and, in 2002, he was named one of Canada’s “Top 40 Under 40” by The Globe and Mail’s Report on Business Magazine.

Michael Cooke – Mr. Cooke has been a consultant advising businesses in financial difficulty for the past 10 years. He also advises and coaches CEOs and Presidents of Canadian and US companies. During the 20 years prior to his career as a consultant, he was a senior corporate officer responsible for multiple business operations.

2.2.6 Initial Investment

The first Target Company in which Investco will invest is Succession. On May 5, 2016, Temperance Capital Corp. entered into a letter of intent with Lynx with respect to an investment into Succession. See Item 2.7.5 – *Letter of Intent with Lynx*. Pursuant to the letter of intent, Investco will initially use the net proceeds of the Offering to make a Preferred Royalty Investment of up to US\$15 million in Succession. It is expected that, in connection with Investco’s Preferred Royalty Investment, Succession will issue to Investco a senior debenture together with a management contract and special preferred shares in Succession. Pursuant to the Initial Investment, Investco is initially expected to receive aggregate payments in an amount equal to 12% per annum, which would be subject to annual adjustments (increase or decrease) within six months following Succession’s next financial year end, or approximately January 31, 2018.

Succession is the primary U.S. subsidiary of Toronto-based Lynx and owns eleven operating businesses located in the U.S. Lynx was founded in 2007 and, since inception, has acquired 43 independent businesses in Canada and the U.S. with collective revenue of \$290 million. Lynx is a buy-and-hold private equity investor that seeks to grow its portfolio and cash flow over the long term, which makes it an ideal partner for the type of Preferred Royalty Investment that Investco intends to make.









Lynx maintains offices in Toronto, Calgary, and San Diego, with a total professional staff of 19 with responsibilities in company oversight, operations, human resources, acquisitions, and financial controls.

Succession’s 11 operating businesses are located in eight (8) U.S. states and are diversified across region, industry, and customers. The companies operate in a variety of industries, including retail kitchenware, jewellery design and manufacturing, trucking, facility maintenance services, and distribution. Distribution businesses are active in diverse markets including women’s clothes, religious gifts, jewellery, shoes, industrial fasteners, and building supplies.

Company	Description	Industry	Location
Fine Line Imports (USA) Inc.	Women's clothes distributor	Wholesale	New York, NY
Floor Solutions LLC	Commercial flooring distributor	Wholesale	Portland OR
H.J. Sherman Company Inc.	Religious gifts distributor	Wholesale	Los Angeles CA
Intermountain Group (Intermountain Total Facility Services, L.L.C. and Executive Facilities, L.L.C.)	Facility maintenance services	Service	Salt Lake UT

JewelPop International Inc.	Jewelry distributor	Wholesale	Camden ME
Kitchen Kaboodle II, Inc.	Retail Kitchenware & furniture	Retail	Portland OR
Maverick Express Inc. and Maverick Express Leasing, Inc.	Trucking	Trucking	Battle Creek MI
Sienna Sky/Left Hand Studios, LLC	Jewelry manufacturer	Manufacturing	Denver, CO
United Fastener, Inc.	Industrial fasteners distributor	Wholesale	San Diego CA
Wine Valley Siding Supply Inc.	Building supplies distributor	Wholesale	Seattle, WA
North American Shoe Co., Inc.	Shoe distributor	Wholesale	Providence RI

In the last fiscal year ended July 31, 2015, Succession's operating companies achieved pro forma revenues of US\$79.5 million and pro forma EBITDA of US\$6.2 million. The 11 companies held by Succession are:

<p>Floor Solutions LLC</p> 	<p>Founded in 1997, and based out of Portland, Oregon, Floor Solutions LLC is a distributor of commercial flooring in both Oregon and Washington State.</p>
<p>Wine Valley Siding Supply, Inc.</p> 	<p>Founded in 1955, and headquartered in Bothell, Washington, Wine Valley Siding Supply is a distributor of siding products, trims, and accessories. It offers wood and fiber cement siding, and can also fulfill custom orders. Wine Valley also offers pre-finishing services on site, allowing customers to fully customize their siding and trims. The company specializes in Western Red Cedar siding, offering a large variety of patterns and grades, and has a significant volume of custom orders.</p>
<p>North American Shoe Co., Inc.</p> 	<p>Established in 1918 and headquartered in East Providence, RI, North American Shoe Co. is a footwear wholesaler, catering to the needs of shoe stores, catalogues, sporting goods stores, and Internet sites. It is the sole distributor of several product lines of men's, women's and children's shoes and accessories.</p>
<p>H.J. Sherman Company Inc.</p> 	<p>Founded in 1948, and headquartered in Van Nuys, California, H.J. Sherman Company Inc. is a designer, manufacturer and distributor of religious gifts and jewelry.</p>
<p>Intermountain Group (Intermountain Total Facility Services, L.L.C. and Executive Facilities, L.L.C.)</p>   	<p>With locations in Salt Lake City, Grantsville, and Logan, the Intermountain Group provides facility maintenance services to commercial and residential clients throughout Utah, Wyoming, and Idaho. It offers a full range of customized facility maintenance services including landscaping, snow clearing, janitorial, and handyman services.</p>
<p>JewelPop International Inc.</p> 	<p>Founded in 2007, JewelPop designs, imports, and distributes a patented interchangeable jewelry system called Kameleon™ and the new interchangeable GemDrops product line. JewelPop has also produced licensed lines for Disney and the NCAA.</p>

<p>Fine Line Imports (USA) Inc.</p> 	<p>For 30 years, Fine Line Imports has specialized in the import, wholesale and distribution of quality contemporary women's fashion to retail customers across Canada and the United States. In 2004 it became the exclusive creator of two collections – Fresh FX and Uptown Girl – Fresh FX is still sold to Canadian chain stores and boutiques coast-to-coast through their large wholesale distribution network. Clotheshead, another Fine Line collection, is sold throughout the United States.</p>
<p>Kitchen Kaboodle, Inc.</p> 	<p>Founded in 1975 and headquartered in Portland, Oregon, Kitchen Kaboodle is a retailer of kitchen and home products. The company operates four retail locations throughout the city as well as a growing e-commerce business. Kitchen Kaboodle provides a tailored product offering including both internationally recognized brands as well as custom orders.</p>
<p>Maverick Express Inc. and Maverick Express Leasing, Inc.</p> 	<p>Established in 1995 and located in Battle Creek, Michigan, Maverick Express is a transportation and logistics company specializing in time-sensitive shipments. They provide service to all the lower 48 states, as well as Ontario and Quebec. They specialize in full-truckloads, dedicated cartage, expediting of critical shipments and brokering of shipments that customers cannot otherwise handle with their company-owned equipment.</p>
<p>Sienna Sky/Left Hand Studios, LLC</p>  	<p>Founded in 1994, and headquartered in Longmont, Colorado, Sienna Sky Jewelry is a manufacturer of fashion jewelry. It distributes products across the U.S. under the Sienna Sky, Adajio Collection and Lemon Tree product lines and offers both earrings and necklaces. The company offers over 650 unique designs that are regularly renewed in order to reach a broad cross-section of consumer preferences.</p>
<p>United Fasteners, Inc.</p> 	<p>Founded in 1964 in San Diego, California, United Fastener is a retailer and wholesaler of nuts and bolts and related products. Currently, the company stocks and sells an extensive inventory of more than 20,000 SKUs of fasteners and associated hardware. In addition, the company offers other supplies such as concrete anchors, wire rope, strut, strut fittings, rivets, cutting tools, abrasives, spray paint and related accessories.</p>

2.3 Development of Business

Temperance Capital Corp. was incorporated on October 22, 2014 to engage in the business of providing royalty finance. The Trust was formed August 2, 2016 for the purpose of indirectly investing in Target Companies through the purchase of Investco Notes and Investco Common Shares. Investco was established for the purpose of investing in Preferred Royalty Units in a diversified portfolio of operating businesses, primarily located in the U.S. and Canada.

2.4 Long Term Objectives

The objective of Temperance is to create a substantial, secure, sustainable, growing, and diversified stream of cash flow that will be paid out to investors, after expenses.

Temperance intends, following the five-year anniversary from the date of the first issuance of Tied Units, to seek out a commercially appropriate liquidity event for all Unitholders. This may, among other possible options, include the redemption of such Preferred Trust Units or a public listing of Investco's common shares on a recognized Canadian stock exchange. Prior to such public listing, Investco expects to exchange the Investco Common Shares held by the Trust and Temperance Capital Corp. for voting common shares of Investco. There is no assurance that such a liquidity event will be achieved.

2.5 Short Term Objectives and How We Intend to Achieve Them

The primary objective of the Trust for the ensuing 12 months is to seek out Subscribers, issue Tied Units pursuant to the Offering, and indirectly invest funds raised by the Offering by way of purchasing Investco Notes and Investco Common Shares. Investco will, in turn, complete the Initial Investment and make additional Preferred Royalty Investments that meet Temperance's investment strategy and criteria to the extent that the proceeds raised in the Offering permit.

What We Must Do and How We Will Do It	Target Completion Date	Cost to Complete⁽¹⁾⁽²⁾
Issued Tied Units pursuant to the Offering and acquire Investco Notes and Investco Common Shares.	12 months	\$20,002,000

Notes:

- (1) For illustrative purposes only, this amount assumes an Offering of \$20,002,000 (2,000,000 CDN Tied Units prior to December 31, 2016).
- (2) The Trust will pay selling commissions to securities dealers of up to 10% of the gross proceeds from the sale of the Tied Units realized at the time of Closing in respect of such sale. It is expected that such selling commissions will be comprised of: (i) a 9% selling commission; and (ii) a 1% fee payable to the lead dealer in the syndicate. Assuming a \$20,002,000 Offering (2,000,000 CDN Tied Units prior to December 31, 2016) and that the Trust pays the maximum commissions of 10% of the gross proceeds realized on the sale of the CDN Tied Units, the Trust will incur commission payments of \$2,000,200 and offering costs of \$200,000 on closing. See Item 7 – *Compensation Paid to Sellers and Finders*. Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust and the Administrator in connection with the Offering for funds invested in Investco. See Item 2.7.3 – *Reimbursement Agreement*. In addition, Temperance Capital Corp. has agreed to pay, without reimbursement, the initial expenses of the Trust and Investco (including offering costs and compensation for directors and officers) up to \$375,000.

2.6 Insufficient Funds

All of the proceeds raised pursuant to the Offering will be invested in Investco through the purchase of Investco Notes and Investco Common Shares. The Trust does not intend to hold any significant cash reserves other than those amounts necessary to pay administrative expenses incurred by the Trust. In some instances, the Trust may temporarily retain cash from a distribution from Investco in order to ensure regular distributions to Unitholders. The available funds from the Offering may not be sufficient to accomplish all of the Trust's proposed objectives and there is no assurance that alternative financing will be available.

As of the date hereof, neither the Trust nor Investco has any debt outstanding. The Trust and Investco may incur additional indebtedness in the future. See Item 4.2 – *Long Term Debt*.

2.7 Material Agreements

2.7.1 Declaration of Trust

The rights and obligations of Unitholders are governed by the Declaration of Trust. A copy of the Declaration of Trust is available for review, upon request to the Administrator, at the offices of the Administrator during regular office hours. The Declaration of Trust and all documents related thereto, including the unit certificates, are drawn up in the English language only.

The following is a summary only of certain terms in the Declaration of Trust which, together with other summaries of additional terms of the Declaration of Trust appearing elsewhere in this Offering Memorandum, are qualified in their entirety by reference to the actual text of the Declaration of Trust, a review of which is recommended to Subscribers. Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Declaration of Trust dated August 2, 2016.

Undertaking of the Trust

The Declaration of Trust provides that the activities and undertaking of the Trust is restricted to:

- (a) acquiring, holding, transferring, disposing of, investing in, lending to, and otherwise dealing with, assets, securities (whether debt or equity) and other interests or properties of whatever nature or kind (except for real property or an interest in real property unless any such real property or interest in real property is capital property of the Trust), or issued by any person (including Investco) and making such other investments as the Trustees, in their sole discretion, determine;
- (b) holding cash and other investments in connection with and for the purposes of the Trust's activities, including paying liabilities of the Trust (including administration expenses), paying any amounts required in connection with the redemption or repurchase of Units, and making distributions to Unitholders;
- (c) disposing of all or any part of the Trust Property;
- (d) issuing Units, installment receipts, and Other Trust Securities (including debt instruments, securities convertible into or exchangeable for Units or other securities of the Trust, or warrants, options or other rights to acquire Units or other securities of the Trust), for the purposes of, without limitation: (i) conducting, or facilitating the conduct of, the activities and undertaking of the Trust (including for the purpose of raising funds for acquisitions); (ii) repayment of any indebtedness or borrowings of the Trust or any affiliate thereof; (iii) establishing and implementing Unitholder rights plans, distribution reinvestment plans, Trust Unit purchase plans, and incentive option and other compensation plans of the Trust, if any; (iv) satisfying obligations to deliver securities of the Trust, including Units, pursuant to the terms of securities convertible into or exchangeable for such securities of the Trust, whether or not such convertible or exchangeable securities have been issued by the Trust; (v) carrying out any of the transactions contemplated by any offering documents and satisfying all obligations in connection with such transactions; and (vi) making non-cash distributions to Unitholders, including *in specie* redemptions as well as distributions;
- (e) selling, repurchasing or redeeming Units or Other Trust Securities, subject to the provisions of the Declaration of Trust and applicable law;

- (f) issuing debt securities or otherwise borrowing funds, as well as mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Trust Property, whether as security for obligations of the Trust or otherwise;
- (g) guaranteeing (whether as guarantor, surety or co-principal obligor, or otherwise) any obligations, indebtedness or liabilities, present or future, direct or indirect, absolute or contingent, matured or not of any person for, or in pursuit of pursuing or facilitating the business and purposes of the Trust, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Trust Property as security for such guarantee;
- (h) carrying out any of the transactions, and exercising, performing and satisfying any of the rights, liabilities and obligations of the Trust under any agreements or arrangements, entered into in connection with pursuing the permitted activities of the Trust; and
- (i) engaging in all activities, and taking all such actions, ancillary or incidental to any of those activities set forth in (a) through (h) above.

Different Investments

The proceeds from the issuance of Common A Trust Units, Preferred A Trust Units, Preferred A(USD) Trust Units and each class or series of Preferred Trust Units will be invested in a separate type, class or series of securities of Investco, as may be further provided in the Declaration of Trust, a Supplement and/or an offering memorandum of the Trust from time to time. The Trustees or the Administrator may take any actions that they, in their sole discretion, considers necessary in order to equitably reflect the fact that the Common A Trust Units, Preferred A Trust Units, Preferred A(USD) Trust Units and different classes or series of Preferred Trust Units are invested in a separate type, class or series of securities of Investco. Such actions include, but are not limited to, making such adjustments to the amounts distributable to Common A Unitholders and Preferred Unitholders pursuant to the Declaration of Trust or any Supplement as is necessary to permit the Trustees or the Administrator, to the extent possible, to take into account the assets, liabilities, income (including realized capital gains), losses and expenses determined by the Trustees or the Administrator to be attributable to the Common A Trust Units, Preferred A Trust Units, Preferred A(USD) Trust Units and each class or series of Preferred Trust Units.

Trustees

Trustees are appointed for a term of office which shall expire upon their death, resignation or removal in accordance with the Declaration of Trust. The Trust shall have a minimum of two and not more than eleven trustees. As of the date hereof, the number of trustees of the Trust has been fixed at three, and shall continue at such number until such time as the Trustees pass a resolution to fix the number of trustees of the Trust at a new number. The election of a Trustee, other than the Trustees who are appointed by the Declaration of Trust, shall be by a majority resolution of the Trustees then in office. The Trustees may appoint one or more Trustees to fill a vacancy among the Trustees for a term to expire upon their resignation or removal of such appointed Trustees in accordance with the Declaration of Trust.

The Declaration of Trust provides that, subject to the specific limitations and restrictions contained in the Declaration of Trust, the Trustees have full, continuing, absolute and exclusive power, control and authority over the Trust Property and over the business and undertaking of the Trust to the same extent as if the Trustees were the sole and absolute beneficial owners of the Trust Property, to do all such acts and things as in their sole judgment and discretion are necessary or incidental to, or desirable for, carrying out the trust created by the Declaration of Trust. All determinations of the Administrators and the Trustees and any person to whom the Trustees have delegated duties (including the Administrator), whether

delegated under the Declaration of Trust or pursuant to any other agreement (including the Administration Agreement), where such determinations are made in good faith with respect to any matters relating to the Trust, shall be final and conclusive and shall be binding upon the Trust and all Unitholders.

The Declaration of Trust provides that the Trustees must act honestly and in good faith, with a view to the best interests of the Trust, and that in connection therewith they exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (herein the “**Standard of Care**”). For greater certainty, to the extent that the performance of certain duties and activities has been granted to the Administrator in the Declaration of Trust, or that the Trustees have delegated the performance of certain duties and activities to the Administrator, the Trustees shall be deemed to have satisfied the aforesaid Standard of Care.

Each Trustee, as a trustee of the Trust, shall to the greatest extent permitted by applicable laws, have no liability whatsoever (whether direct or indirect, absolute or contingent) in tort, contract or otherwise to any beneficiary or any other person, and no resort shall be had to such Trustee’s property or assets for satisfaction of any obligation, liability or claim against them or the Trust, where such obligation, liability or claim arises, directly or indirectly, out of or in connection with being or having been a trustee of the Trust, except where such obligation, liability or claim arises from a criminal or administrative action or proceeding that is enforced by monetary penalty, and the Trustee did not have reasonable grounds for believing that his conduct was lawful and from the breach by such Trustee of the Standard of Care.

If a Trustee is held liable to any person, or such Trustee’s property or assets are subject to levy, execution or other enforcement, resulting in personal loss to the Trustee in circumstances where there is to be no liability on a Trustee pursuant to the provisions of the Declaration of Trust, then the Trustee shall be entitled to indemnity and reimbursement out of the Trust Property, to the full extent of such liability and the costs of any action, suit or proceeding or threatened action, suit or proceeding, including without limitation, the reasonable legal fees and disbursements of its legal counsel on a solicitor and client basis, and this indemnity shall survive the termination of the Declaration of Trust or the resignation of the Trustee.

The Administrator

The Trustees have delegated to the Administrator, under the terms of the Administration Agreement, the obligation to provide and perform for and on behalf of the Trust essentially all services that are or may be required or advisable, from time to time, in order to manage, administer and govern the operations of the Trust. The Administration Agreement sets forth all of the rights, restrictions and limitations (including, without limitation, limitations of liability and indemnification rights) which pertain to the performance by the Administrator of the duties delegated to it by the Trustees. Pursuant to the terms of the Declaration of Trust, those rights, restrictions and limitations also apply in all respects to the Administrator in the exercise and performance by it of all powers, duties and authorities conferred upon or delegated to the Administrator under the terms of the Declaration of Trust. See Item 2.7.2 – *Administration Agreement*.

The Administrator shall not have any liability whatsoever (whether direct or indirect, absolute or contingent) in tort, contract or otherwise to any person, arising out of or incurred, directly or indirectly, in connection with being or having been the Administrator of the Trust, except where such liability arises out of the wilful misconduct, fraud or gross negligence of the Administrator.

Conflicts of Interest

Trustees may have other interests or associations of whatever nature or kind. For further certainty, and without limitation, and without affecting or limiting a Trustee’s duties and responsibilities or the

limitations, rights and indemnities provided by the Declaration of Trust, each Trustee is expressly permitted: (a) to be an associate, affiliate, security holder, director, officer, trustee, employee, agent or consultant of, or otherwise involved with, a person from or to whom assets of the Trust or of its associates or affiliates have been or are to be purchased or sold; (b) to be a person, or to be an associate, affiliate, security holder, director, officer, trustee, employee, agent or consultant of (or otherwise involved with) a person, with whom the Trust or its associates or affiliates contracts or deals or which supplies services to the Trust or its associates or affiliates; (c) to acquire, hold and dispose of, for such Trustee's own account, any property (real, personal, tangible or intangible) even if such property is of a character which could be held by the Trust, and to exercise all rights of an owner of such property as if such Trustee were not a Trustee; (d) to acquire, hold and sell Units as principal, or as an affiliate or associate of or fiduciary for any other person, and to exercise all rights of a holder thereof as if such Trustee was not a Trustee; and (e) to have business interests of any nature and to continue such business interests while a Trustee.

Under the terms of the Declaration of Trust, the Unitholders acknowledge and accept that there are, and will continue to be, potential or actual interests of one or more of the Trustees, or their associates or affiliates (including conflicts of interest) with respect to business or other interests held directly or indirectly by, and/or contractual arrangements or transactions directly or indirectly involving, one or more of the other Trustees, or their respective associates or affiliates, or the Trust or its associates and affiliates, and the Unitholders agree that: (a) any Trustee is permitted (notwithstanding any liability which might otherwise be imposed by applicable law or in equity upon such Trustee as a trustee of the Trust) to derive direct or indirect benefit, profit or advantage from time to time as a result of dealing with another Trustee or his associates or affiliates or the Trust or its associates or affiliates or as a result of the relationships, matters, contracts, transactions, affiliations or other interests it may have and such Trustee shall not be liable in law or in equity to pay or account to the Trust, or to any Unitholder (whether acting individually or on behalf of itself, holders of Units of a class or series or all Unitholders as a class) for any such direct or indirect benefit, profit or advantage nor, in such circumstances, will any contract or transaction be void or voidable at the instance of the Trust of any Unitholder or any other person; and (b) interests of any Trustee, or their respective associates or affiliates, including any conflicts of interest, will not form the basis for any claim against such Trustee, or their respective affiliate or associate, or for any attempt to challenge or attack the validity of any contract, transaction or arrangement (or renewal, extension or amendments of same) which the Trustees may enter into on behalf of the Trust; provided, in each case, that the Trustee in question has otherwise exercised its powers and discharged its duties, as set out in the Declaration of Trust, honestly and in good faith in respect to the matter, contract, transaction or interest in question.

Attributes of the Trust Units

The beneficial interests in the Trust are represented and constituted by Common A Trust Units, Common B Trust Units, Preferred A Trust Units, Preferred A(USD) Trust Units and Preferred Trust Units of one or more classes, which may be subdivided into one or more series. The Trustee shall have sole discretion in determining the attributes that shall attach to such classes or series of Units and whether any class or series of Units may or will be re-designated as a different class or series of Units from time to time.

The Trustees shall have sole discretion in determining whether to create and issue a new class or series of Trust Units, and the attributes which shall attach to such class or series of Trust Units. Each class or series of Trust Units shall be established pursuant to a Supplement setting forth and detailing the rights, privileges, restrictions and conditions attached to and comprising the Preferred Trust Units of that class or series, in each case prior to the issue of any Trust Units of that particular class or series.

The only securities being offered pursuant to this Offering Memorandum are the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units. A summary of the material attributes of

the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units are contained in Item 5.1 – *Terms of Securities*.

The following is a summary of the material attributes of the Common B Trust Units

(i) Parity

Other than as set forth in the Declaration of Trust, the rights of all holders of Common B Trust Units are equal in all respects, without discrimination, preference or priority among them, including with respect to matters such as the distribution of assets of the Trust in the event of any liquidation, dissolution or winding up of the Trust, or other distribution of assets of the Trust for the purpose of winding up its affairs.

(ii) Voting Rights

The holders of the Common B Trust Units shall be entitled to receive notice of and to attend all meetings of the Unitholders of the Trust and to one (1) vote in respect of each Common B Trust Unit held at all such meetings, except for meetings of only Common A Unitholders or Preferred Unitholders called for the purposes set forth in the Declaration of Trust.

(iii) Participation upon Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of the Trust, or other distribution of assets of the Trust among Unitholders for the purpose of winding up the affairs of the Trust, each holder of Common B Trust Units shall be entitled to receive from the assets of the Trust, for and in respect of each Common B Trust Unit held by such holder, a sum equivalent to the quotient obtained when (1) the aggregate gross proceeds from the issuance of all Common B Trust Units issued by the Trust since formation and still outstanding at the time of winding up the affairs of the Trust, is divided by (2) the aggregate number of Common B Trust Units issued and outstanding at the time of winding up the affairs of the Trust, and all such amounts shall be paid before any amount shall be paid, or any Trust Property shall be distributed, to any holder of Common A Trust Units or Preferred Trust Units or trust units of any other class or series ranking junior to the Common B Trust Units. After all payments as provided in the Declaration of Trust have been made to the holders of the Common B Trust Units, such holders shall have no further entitlement to participate in any further distributions of the Trust Property upon any such liquidation, dissolution or winding up of the affairs of the Trust.

Distribution Entitlement

(a) Distribution Policy for Preferred A Trust Units

The distribution policy for the Preferred A Trust Units are set forth under Item 5.1.1 – *Preferred A Trust Units – Distribution Policy*.

(b) Distribution Policy for Preferred A(USD) Trust Units

The distribution policy for the Preferred A(USD) Trust Units are set forth under Item 5.1.2 – *Preferred A(USD) Trust Units – Distribution Policy*.

(c) Distribution Policy for Common A Trust Units

The distribution policy for the Common A Trust Units are set forth under Item 5.1.3 – *Common A Trust Units – Distribution Policy*.

(d) Distribution Policy for Common B Trust Units

The holders of the Common B Trust Units shall not be entitled to receive distributions.

Redemption Rights

(a) Right of Redemption by the Trust

The Trust is entitled at any time and from time to time, in accordance with the terms and conditions set forth in the Declaration of Trust, to redeem all or any part of the issued and outstanding Preferred Trust Units. A Preferred Unitholder whose Preferred Trust Units are being redeemed shall be entitled to receive a Redemption Price of equal to the purchase price of such Redemption Unit.

In the event that any Preferred Trust Units issued on a date that was five years or less prior to the date upon which such Preferred Trust Units have been tendered for redemption, the Trust is entitled to also redeem any Common Units that were issued in connection with the Preferred Trust Units being redeemed and the holder of such Common Units shall be entitled to receive the purchase price of such Common Unit.

(b) Right of Redemption by Preferred Unitholders

Each Preferred Unitholder shall be entitled to require the Trust to redeem at any time and from time to time at the demand of the holder, in accordance with the terms and conditions set forth in the Declaration of Trust, all or any part of the Preferred Trust Units registered in the name of the Preferred Unitholder.

A Preferred Unitholder whose Preferred Trust Units are being redeemed shall be entitled to receive a Redemption Price equal to, in the case of a Redemption Unit:

- (i) that was issued on a date that was one year or less prior to the date upon which such Redemption Unit was tendered for redemption, the lesser of: (A) 85% of the fair market value of such Redemption Unit as at the date upon which such Redemption Unit was tendered for redemption; and (B) 85% of the purchase price of such Redemption Unit;
- (ii) that was issued on a date that was more than one year and up to two years prior to the date upon which such Redemption Unit was tendered for redemption, the lesser of: (A) 87% of the fair market value of such Redemption Unit as at the date upon which such Redemption Unit was tendered for redemption; and (B) 87% of the purchase price of such Redemption Unit;
- (iii) that was issued on a date that was more than two years and up to three years prior to the date upon which such Redemption Unit was tendered for redemption, the lesser of: (A) 89% of the fair market value of such Redemption Unit as at the date upon which such Redemption Unit was tendered for redemption; and (B) 89% of the purchase price of such Redemption Unit;

- (iv) that was issued on a date that was more than three years and up to four years prior to the date upon which such Redemption Unit was tendered for redemption, the lesser of: (A) 91% of the fair market value of such Redemption Unit as at the date upon which such Redemption Unit was tendered for redemption; and (B) 91% of the purchase price of such Redemption Unit;
- (v) that was issued on a date that was more than four years and up to five years prior to the date upon which such Redemption Unit was tendered for redemption, the lesser of: (A) 93% of the fair market value of such Redemption Unit as at the date upon which such Redemption Unit was tendered for redemption; and (B) 93% of the purchase price of such Redemption Unit; and
- (vi) that was issued more than five years prior to the date upon which such Redemption Unit was tendered for redemption, the lesser of: (A) the fair market value of such Redemption Unit as at the date upon which such Redemption Unit was tendered for redemption; and (B) the purchase price of such Redemption Unit.

Payment of Redemption Price

- (a) The Redemption Price payable in respect of the Redemption Units redeemed by the Trust, shall be paid, at the discretion of the Administrator, by any combination of:
 - (i) an amount payable by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada (or lawful money of the United States, in the case of units sold in U.S. dollars), payable at par to or to the order of the Unitholder holding such Redemption Units (the amount of such payment being the “**Cash Amount**”), provided that the Cash Amount shall be paid pro-rata to Preferred Unitholders whose Preferred Trust Units are being redeemed based upon the proportion which the total Redemption Price payable to a Preferred Unitholder bears in relation to the aggregate Redemption Price which is payable in respect of all Redemption Units to be redeemed in any calendar month; and
 - (ii) an amount equal to the difference between the Redemption Price payable in respect of the Redemption Units and the Cash Amount (the “**Remainder Amount**”) through, subject to receipt of any applicable regulatory approvals, the issuance of Redemption Notes and/or distribution, in specie, of Trust Property to Preferred Unitholders holding such Redemption Units, with such notes and/or Trust Property (as the case may be) having an aggregate fair market value equal to the Remainder Amount.
- (b) The Redemption Price payable in respect of the Redemption Units redeemed by a Unitholder shall be paid by:
 - (i) an amount payable by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada (or lawful money of the United States, in the case of units sold in U.S. dollars), payable at par to or to the order of the Unitholder holding such Redemption Units in an amount equal to the Cash Amount, but in the event that the aggregate Cash Amount in respect of all Redemption Units tendered for redemption by Unitholders in the same calendar month exceeds \$10,000, then the Trust shall only be obligated to pay the Cash Amount up to a maximum of \$10,000, unless the Administrator determines to pay a greater Cash Amount, provided that the Cash Amount shall be paid pro-rata to redeeming Unitholders based upon the proportion which the total Redemption

Price payable to a redeeming Unitholder bears in relation to the aggregate Redemption Price which is payable in respect of all Redemption Units in any calendar month; and

- (ii) to the extent that the aggregate Redemption Price which is payable in respect of the Redemption Units tendered for redemption by Unitholders in such calendar month exceeds the Cash Amount:
 - (A) unless otherwise specified in a Supplement for a class or series of Preferred Trust Units, in respect of any Redemption Units that were issued on a date that was five years or less prior to the date upon which such Redemption Units have been tendered for redemption, then subject to receipt of any applicable regulatory approvals, the Remainder Amount shall be paid by the Trust to the redeeming Unitholders through the issuance of Redemption Notes and/or distribution, in specie, of Trust Property to Unitholders holding such Redemption Units, with such notes and/or Trust Property (as the case may be) having an aggregate fair market value equal to the Remainder Amount, provided however, that any such Redemption Notes issued pursuant to the Declaration of Trust shall be due and payable prior to the sixth anniversary of the date of issuance of the Redemption Unit in respect of which such Redemption Note is issued;
 - (B) unless otherwise specified in a Supplement for a class or series of Preferred Trust Units, in respect of any Redemption Units that were issued on a date that was more than five years prior to the date upon which such Redemption Units have been tendered for redemption, then subject to receipt of any applicable regulatory approvals, the Remainder Amount shall be paid by the Trust to the redeeming Unitholders through the payment of cash, issuance of Redemption Notes and/or distribution, in specie, of Trust Property to Unitholders holding such Redemption Units, with such cash, notes and/or Trust Property (as the case may be) having an aggregate fair market value equal to the Remainder Amount.

Fair Market Value

The fair market value of a Redemption Unit shall be determined by the Administrator in its sole discretion, acting reasonably, but having regard to:

- (a) all prices at which transfers of Trust Units of the same class or series as the Redemption Units have been transacted, as reported to the Trust, and which have occurred during the six month period (or such other period as the Administrator determines relevant and reasonable) immediately preceding the date on which such Redemption Units tendered for redemption or the date of the Redemption Notice, as applicable;
- (b) the issue prices for Trust Units of the same class or series as the Redemption Units issued in any Offering during the six month period (or such other period as the Administrator determines relevant and reasonable) immediately preceding the date on which such Redemption Units tendered for redemption or the date of the Redemption Notice, as applicable;
- (c) the fair market value of equity interests in, or enterprise values of, comparable entities substantially similar to the Trust; and
- (d) any other considerations which the Administrator, in its discretion, determines relevant for purposes of determining the fair market value of such Redemption Units.

Meetings of Unitholders

There is no requirement or obligation for the Trust to hold annual meetings of Unitholders, Common Unitholders or holders of any class or series of Preferred Trust Units. The Trustees, the directors and officers of the Administrator, the Auditors (if any), those Unitholders (by their respective employees, officers or directors) entitled to vote at the meeting so called, and any other individual approved by the Trustees, may attend and speak at a meeting of Unitholders.

Notice of all meetings of the Unitholders shall be given or sent by unregistered mail postage prepaid addressed to each Unitholder at his registered address, mailed at least 21 days and not more than 60 days before the meeting (or within such other time periods as required or permitted by applicable securities law). See Item 5.1 – *Terms of Securities*.

Limitation on Non-Resident Ownership

The Trust intends to always qualify as a mutual fund trust under the Income Tax Act. This requires, among other things, that the Trust not be established or maintained primarily for the benefit of Non-Residents. Accordingly, at no time may Non-Residents be the beneficial owners of more than 49% of the outstanding Trust Units, on a non-diluted basis, on a fully-diluted basis (which includes, for greater certainty, Trust Units issuable pursuant to outstanding Other Trust Securities) and on a fair market value basis.

The Administrator may in its sole discretion, require the Trust to refuse to accept a subscription for securities of the Trust from, or issue or register a transfer of securities of the Trust to, a person unless the person provides a declaration and such other information as may be requested to the Administrator, in form and substance satisfactory to the Administrator, to establish that the securities of the Trust to be issued or transferred to such person will not when issued or transferred be beneficially owned by a Non-Resident. The administrator may also refuse the issuance of Trust Units to facilitate a conversion, exchange or exercise of Other Trust Securities if to do so might, in the Administrator's opinion, cause the Trust to lose its status as a mutual fund trust.

Transfer of Units

No Unitholder shall sell, transfer, assign or otherwise dispose of its Trust Units, in whole or in part, to a transferee except with the consent of the Administrator and in compliance with applicable securities laws and the Declaration of Trust. No such sale, transfer, assignment or other disposition of Trust Units shall be effective as against the Trustees or shall in any way be binding upon the Trustees unless the following terms and conditions are met, or unless such terms and conditions are waived by the Trustees or Administrator, in their sole discretion:

- (a) delivery to the transfer agent of (i) a duly executed instrument of transfer and accompanied by all necessary transfer or other taxes imposed by applicable law; and (ii) the unit certificate(s) representing such Trust Units being transferred (if certificates representing such Trust Units have been issued) properly endorsed, and, in each case, accompanied by evidence of the genuineness of such endorsement, execution and authorization;
- (b) reporting to the Trustees or Administrator the details concerning the transfer, including name, address, citizenship and country of residence of the transferee, as well as the price per Unit at which the sale and transfer has occurred together with such other information as the Trustees or Administrator may reasonably request, and evidenced by appropriate documentation;

- (c) any outstanding liabilities of the transferor to the Trust shall have been paid, or arrangements made satisfactory to the Trustees or Administrator for the assumption of such liabilities by the transferee; and
- (d) the transfer has been recorded on the applicable register or one of the branch transfer registers maintained by the transfer agent.

Any consent for a transfer of Common A Units that were issued on a date that was five years or less prior to the date of such transfer will be subject to the requirement, at a minimum, that the transferee acknowledges in writing, in form satisfactory to the Administrator, that such Common A Trust Units may be redeemed by the Trust for a price equal to the purchase price of such Common A Trust Units in the event that the Preferred Trust Units issued in connection with the Common A Trust Units are tendered for redemption by the holder thereof on a date that was five years or less prior to the date of issuance of such Preferred Trust Units.

Amendments to the Declaration of Trust

Except as specified in the Declaration of Trust, the Declaration of Trust may only be amended in writing and only upon approval given by Special Resolution of Common B Unitholders. Notwithstanding the above, the provisions of the Declaration of Trust may be amended by the Trustees at any time and from time to time, without the consent, approval or ratification of the Unitholders (or holders of a class or series of Units), any other person or any governing authority for the purpose of:

- (a) creating new classes or series of Trust Units from time to time in accordance with the provisions of the Declaration of Trust;
- (b) ensuring continuing compliance, by the Trust, with applicable laws, regulations, requirements or policies of any governing authority having jurisdiction over the Trustees or the Trust;
- (c) providing, in the opinion of the Trustees, additional protection for the Unitholders or to obtain, preserve or clarify the provision of desirable tax treatment to Unitholders;
- (d) making amendments hereto which, in the opinion of the Trustees, are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or in their interpretation or administration (including changes in the administrative practices and assessing policies of the Canada Revenue Agency);
- (e) making corrections, or removing or curing any conflicts or inconsistencies between the provisions of the Declaration of Trust or any supplemental agreement and any other agreement of the Trust or any offering document with respect to the Trust, or any applicable law or regulation of any jurisdiction, provided that in the opinion of the Trustees, the rights of the Unitholders are not materially prejudiced thereby;
- (f) making amendments to the Declaration of Trust as are necessary or desirable for correcting typographical mistakes or for curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein;
- (g) making amendments to the Declaration of Trust as are required to undertake an internal reorganization of the Trust or its affiliates; or

- (h) making amendments to the Declaration of Trust for any purpose in addition to those stated above, provided that, in the opinion of the Trustees, the rights of the Unitholders are not materially prejudiced thereby.

Power of Attorney

Upon becoming a Unitholder, each Unitholder, pursuant to the terms of the Declaration of Trust, grants to the Trustees a power of attorney constituting the Trustees (whether acting individually or collectively), with full power of substitution, as the true and lawful attorney of such Unitholder to act on his behalf, with full power and authority in his name, place and stead, to execute, under seal or otherwise, swear to, acknowledge, deliver, make, file or record (and to take all requisite actions in connection with such matters), when, as and where required, and for further certainty, it is acknowledged and agreed by each Unitholder that the Trustees may exercise any of the powers granted under this power of attorney irrespective of whether the Administrator has been expressly authorized by the Declaration of Trust and that the Trustees may substitute the Administrator as a delegate, in whole or in part, of the powers granted by the Declaration of Trust. The power of attorney granted by the Declaration of Trust is, to the extent permitted by applicable law, irrevocable, is a power coupled with an interest, and shall survive the insolvency, 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 Trustees or its delegate pursuant to this power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm any actions taken by the Trustees in good faith under this power of attorney. The Trustees may require, in connection with the subscription for, or any transfer of, Units, that the subscription form or transfer form be accompanied by a certificate of legal advice signed by a lawyer or that the execution of the subscription form or transfer form be witnessed as may be required by any applicable laws. This power of attorney shall continue in respect of each and every one of the current Trustees so long as they are a Trustee of the Trust, and shall also continue in respect of a new Trustee as if the new Trustee was a current Trustee hereunder.

Accounting and Reporting

The fiscal year of the Trust shall end on December 31 of each year. The Trust will send to Unitholders (or make available if sending is not required by applicable laws) within 120 days after the end of each fiscal year (or within such shorter time as may be required by applicable securities law): (i) the audited annual consolidated financial statements of the Trust for such fiscal year, together with comparative audited financial statements for the preceding fiscal year, if any; and (ii) so long as required by applicable securities laws, a notice of the Trust disclosing in reasonable detail the use of the aggregate gross proceeds raised by the Trust under section 2.9 of NI 45-106.

Term of the Trust and Distribution on Wind-Up

Subject to earlier termination, the Trust shall continue for a term ending 21 years after the date of the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on August 2, 2016. The Trust shall commence its wind-up and termination upon the first of the following to occur: (a) a proposal to the Common B Unitholders, by the Administrator, to wind-up and terminate the Trust, which proposal is approved by way of a Special Resolution; or (b) the date upon which each of the material businesses in which the Trust holds an interest, or has otherwise invested, have been liquidated.

For the purposes of winding-up and terminating the affairs of the Trust the Administrator shall sell and convert into money the Trust Property (to the extent not already then comprising cash or cash equivalents)

and do all other acts appropriate to liquidate the Trust. The Declaration of Trust also provides that the Administrator may determine, in its sole discretion to distribute interests in the Trust Property in specie to holders of all Units without attempting to convert such Trust Property into money, subject to obtaining all necessary regulatory approvals. Any such distribution shall be without any representations, warranties or recourse to the Trust. In connection with any such distribution, each Unitholder shall be deemed, without further act or formality, to have assumed absolutely and without recourse to the Trust all obligations and liabilities associated with the interests in Trust Property distributed to each Unitholder.

Rights of Unitholders and Ownership of Assets of the Trust

Unless provided in the Declaration of Trust, no Unitholder shall be entitled to interfere with, or give any direction to, the Trustees or the Administrator with respect to the affairs of the Trust or in connection with the exercise of any powers or authorities conferred upon the Trustees or the Administrator under, or by virtue of, the Declaration of Trust or the Administration Agreement.

The legal ownership of the Trust Property and the right to conduct the affairs of the Trust are, subject to the terms of the Declaration of Trust, vested exclusively in the Trustees, or such other persons as the Trustees may determine or as are permitted in accordance with the terms of the Declaration of Trust, and the Unitholders shall have no interest therein other than the interest specifically set forth in the Declaration of Trust, and no Unitholder shall have any right to compel or call for any redemption of Trust Units or any partition, division, dividend or distribution of the Trust Property, except as specifically provided in the Declaration of Trust.

2.7.2 Administration Agreement

The Trust has entered into an Administration Agreement with the Administrator dated August 2, 2016, pursuant to which the Trustees have delegated to the Administrator the obligation to provide and perform for and on behalf of the Trust essentially all services that are or may be required or advisable, from time to time, in order to manage and administer the operations of the Trust. The Administration Agreement sets forth all of the rights, restrictions and limitations (including, without limitation, limitations of liability and indemnification rights) which pertain to the performance by the Administrator of the duties delegated to it by the Trustees, including:

Limitation of Liability

In general, the Administrator's liability will be limited, and it will be entitled to indemnification from the Trust, in respect of demands, claims and liabilities of any nature provided that the Administrator has acted honestly and in good faith.

Permitted Interests

The Administrator and its directors and officers, as well as their respective affiliates and associates, are permitted to have business and other interests or associations of whatever nature or kind apart from their activities related to the Trust. The Trust and the Administrator have each acknowledged that there are and will continue to be potential or actual interests of the Administrator and its management, or their respective associates or affiliates, including conflicts of interest, with respect to interests held by, and/or contractual arrangements or transactions involving, one or more of the Administrator, the Administrator's management, the Trust or the Trustees, and any of the respective affiliates and associates of any of them, and the Trust has agreed that: (a) the Administrator's management (or their respective associates or affiliates), is expressly permitted to derive direct or indirect benefit, profit or advantage from time to time as a result of dealing with the Trust of its affiliates or as a result of the relationships, matters, contracts,

transactions, affiliations or other interests whatsoever which it or they (as the case may be) may have, and the Administrator, one or more members of the Administrator's management, or their respective associates or affiliates (as the case may be) shall not be liable in law or equity to pay or account to the Trust, its affiliates or to any Unitholders for any direct or indirect, profit or advantage derived nor, in such circumstances, will any contract or transaction be void or voidable at the instance of the Trust or any Unitholder or any other person; and (b) interests of the Administrator or the Administrator's management (or their respective associates or affiliates), including any conflicts of interest, will not form the basis for any claim against the Administrator, the Administrator's management or any respective affiliate or associate thereof, or their respective shareholders, directors, officers or employees, or for any attempt to challenge or attack the validity of any contract, transaction or arrangement (or renewal, extension or amendments of same), in each case, provided that the Administrator has otherwise exercised its powers and discharged its duties under the Administration Agreement honestly and in good faith.

Term and Termination

The Administration Agreement remains in effect until wind-up and dissolution of the Trust unless terminated earlier by either party. Early termination may occur under the following conditions.

- (a) The Administration Agreement is terminable by either the Trust or the Administrator upon 30 days prior written notice of such termination to the other party.
- (b) In the event that the Administrator (i) institutes proceedings to be adjudicated a voluntary bankrupt or consent to the filing of a bankruptcy proceeding against it; (ii) files a petition or answer or consent, or take other proceedings, seeking reorganization, readjustment, arrangement, composition or similar relief under any Canadian federal or provincial law available for the protection of bankrupt or insolvent debtors; (iii) consents to the appointment of a receiver, liquidator, trustee or assignee in bankruptcy of the Administrator; (iv) be voluntarily liquidated or wound up; or (v) otherwise take any action that acknowledges its insolvency, the Trust may immediately terminate the Administration Agreement by prior written notice of such termination delivered to the Administrator.
- (c) In the event that the Trust (i) institutes proceedings to be adjudicated a voluntary bankrupt or consent to the filing of a bankruptcy proceeding against it; (ii) files a petition or answer or consent, or take other proceedings, seeking reorganization, readjustment, arrangement, composition or similar relief under any Canadian federal or provincial law available for the protection of bankrupt or insolvent debtors; (iii) consents to the appointment of a receiver, liquidator, trustee or assignee in bankruptcy of the Trust; (iv) be voluntarily liquidated or wound up; or (v) otherwise take any action that acknowledges its insolvency, the Administrator may immediately terminate the Administration Agreement by prior written notice of such termination delivered to the Trust.

If the Trust elects to terminate the Administration Agreement pursuant to (a) or (b) above, the removal of the Administrator shall only take effect once the following has occurred: (i) the full and unconditional release of the Administrator and its affiliates or associates (as the case may be) is obtained in respect of any mortgage or other indebtedness, liability or obligation of the Trust to which they are subject, whether as a guarantor, co-covenantor or otherwise; and (ii) the payment of all money owing by the Trust to the Administrator and its affiliates and associates.

Remuneration

There is no fee payable to the Administrator under the terms of the Administration Agreement but the Administrator will be entitled to the reimbursement of all costs and expenses reasonably incurred by the Administrator in carrying out its obligations and duties under the Administration Agreement, including payroll and payroll related costs, overhead, general and administrative costs, and out-of-pocket and third party fees and expenses.

2.7.3 Reimbursement Agreement

As the Trust and the Administrator are intended to be vehicles to obtain financing for Investco from time to time as may be required by Investco to enable it to invest in the Initial Investment and to make other Preferred Royalty Investments, Investco has entered into a Reimbursement Agreement with the Trust and the Administrator dated August 2, 2016.

Under the terms of the Reimbursement Agreement, Investco will reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by them, for and on behalf of Investco, in connection with the Trust and the Administrator obtaining financing for Investco, including: (i) establishing the Trust's and the Administrator's existence so as to be in a position to undertake such financings; (ii) maintaining the Trust's and the Administrator's existence, which includes, but is not limited to, the Trust's obligations to Unitholders under the Declaration of Trust, all accounting and legal costs and all costs of compliance with the Income Tax Act or any applicable taxation laws or regulations; (iii) costs and expenses incurred by the Trust and the Administrator in respect of an offering of securities including legal and selling agents' fees; (iv) marketing and related services associated with the distribution and sale of securities; (v) administration of any unitholder rights plans, distribution reinvestment plans, unit purchase plans, incentive options and other compensation plans; and (vi) costs of ongoing compliance by the Trust and the Administrator of applicable laws.

2.7.4 Investco Notes

The Trust will invest: (i) the proceeds from the sale of the Preferred A Trust Units into Investco Notes denominated in Canadian dollars; and (ii) the proceeds from the sale of the Preferred A(USD) Trust Units into Investco Notes denominated in US dollars,

The Investco Notes will be short-term, fixed rate, demand promissory notes. The first Investco Notes to be purchased by the Trust will bear interest at a fixed simple interest rate of 8.5% per annum, which will be payable in equal quarterly installments.

Upon maturity of the initial Investco Note, and each subsequent Investco Note, Investco will deliver to the Trust a new Investco Note having the same principal amount and bearing interest at a fixed simple interest rate which it is anticipated will be 8.5% per annum plus Growth Interest Rate (being an additional fixed simple interest rate) determined at the time such new Investco Note is delivered, which will be based on the increase in the income of Investco arising from organic growth of revenues from its Preferred Royalty Investments (if any) in the previous quarter. It is anticipated that the Growth Interest Rate will be set at a rate such that 80% of the organic growth of revenues of Investco's Preferred Royalty Investments over a five year period (proportionate to the value of the Trust's investments in Investco in the event that there are multiple sources of funding for Investco) will be paid to the Trust as interest on the Investco Note.

As an example, if, after the initial year of the Preferred Royalty Investment, the organic growth of revenues of Investco's Preferred Royalty Investments was 4% per annum, it is expected the interest rate

on the Investco Notes after a three year period from the date the Preferred Royalty Investment was made would be approximately 9.19% per annum (8.5% plus a Growth Interest Rate of 0.69%). If there is no organic growth (or a decrease) in the revenues of Investco's Preferred Royalty Investments, the interest rate of the Investco Notes will remain 8.5% per annum.

All Investco Notes will be *pari passu* and subordinated and postponed to all Senior Indebtedness (being all indebtedness, liabilities and obligations of Investco not expressed to rank in right of payment subordinate to or *pari passu* with the indebtedness evidenced by the Investco Notes), including amounts owing by Investco to any senior lender or pursuant to secured loans.

2.7.5 Letter of Intent with Lynx

On May 5, 2016, Temperance Capital Corp. and Lynx entered into a non-binding letter of intent (the "LOI"), whereby Temperance Capital Corp. agreed to make a Preferred Royalty Investment in Succession, either directly or indirectly, in an amount up to US\$20 million. Pursuant to the terms of the LOI, the proceeds of the investment would be used to finance additional corporate acquisitions or to provide a restructuring of the capital structure of the entity in which the investment is made, as well as for general corporate purposes.

The Preferred Royalty Investment would entitle the investor to monthly distributions with priority over all payments and distributions required to be made to Lynx, as well as payments on intercompany debt and to related parties. The distribution rate on such Preferred Royalty Investment, as stated in the LOI, would have a base rate of 12%, and would be subject to annual adjustments within six months following Succession's next financial year end, or approximately January 31, 2018.

The LOI states that all, but not less than all, of the Preferred Royalty Investment plus the unpaid amount of any distributions owing could be repaid following the third anniversary of the closing date, upon six months' notice, at a repayment premium that would decrease at a fixed rate with the passage of each subsequent year from the date the investment is made.

Upon the occurrence of an uncured event of default, the investee would be required to repay the Preferred Royalty Investment at the designated repayment price. Should an uncured event of default occur prior to the third anniversary of closing, the repayment price would be subject to the maximum premium contemplated in the LOI.

The LOI also includes requirements to report certain financial and operational information on a monthly, quarterly and annual (audited) basis, as well as such other information related to the operating companies as required by Temperance Capital Corp.

The terms of the LOI are not binding on the parties thereto, and final terms of the Initial Investment may differ from the LOI. See Item 2.2.7 – *Initial Investment*. As such, there is no assurance that the Initial Investment will be completed or, if completed, will be on a price and terms that are exactly the same as disclosed in this Offering Memorandum. See Item 8 – *Risk Factors*.

2.7.6 Summary of Distribution Reinvestment Plan

The Trust is expected to adopt a DRIP that will allow eligible holders of Preferred Trust Units to elect to have their quarterly cash distributions reinvested in additional Tied Units at a purchase price as may be determined by the Trustees from time to time. All holders of Preferred Trust Units resident in Canada are eligible to participate in the DRIP. Holders of Preferred Trust Units who do not enroll in the DRIP will receive their regular cash distributions. The Trust reserves the right to limit the amount of new equity

available under the DRIP on any particular distribution payment date. 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, holders of Preferred Trust Units enrolled in the DRIP will receive their regular cash distributions.

All Trust Units acquired under the DRIP on the reinvestment of cash distributions will be issued from treasury of the Trust on the applicable distribution payment date. No commissions, service charges or brokerage fees will be payable in connection with the purchase of Trust Units from treasury under the DRIP. Participation in the DRIP does not relieve holders of Preferred Trust Units 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.

An account will be maintained by the Administrator, or such other party as may be appointed by the Trust as plan agent, on behalf of the Trust, for each participant with respect to purchases of Preferred Trust Units made under the DRIP for the participant's account.

The Administrator, or such other party as may be appointed by the Trust as plan agent, will send or otherwise make available to each participant an annual unaudited statement regarding cash distributions credited and reinvested for the participant's account under the DRIP during the period. These statements are a participant's continuing record of purchases of Preferred Trust Units made for their account and should be retained for income tax purposes. Beneficial owners who participate in the DRIP indirectly through a broker, investment dealer, financial institution or other nominee will not receive such statements and should consult such nominee to confirm what statements or reports, if any, will be provided by the nominee, whether for tax reporting or otherwise.

ITEM 3. INTERESTS OF DIRECTORS, TRUSTEES, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information about each Trustee, director and officer of the Administrator and Investco and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Trust.

Name and Municipality of Principal Residence/ Registered Office	Positions Held and Date of Obtaining that Position	Compensation Paid by Investco or a related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year⁽¹⁾	Number, Type and Percentage of Securities of the Trust held after Completion of Offering
Alex Baluta Toronto, Ontario	Trustee since August 2, 2016. Chief Executive Officer and director of the Administrator and Investco since July 15, 2016.	2016 (expected) – Nil ⁽²⁾	1 Common B Trust Unit (33.3%)

Name and Municipality of Principal Residence/ Registered Office	Positions Held and Date of Obtaining that Position	Compensation Paid by Investco or a related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year⁽¹⁾	Number, Type and Percentage of Securities of the Trust held after Completion of Offering
Robert Wilson Toronto, Ontario	Trustee since August 2, 2016. President and director of the Administrator and Investco since July 15, 2016.	2016 (expected) – Nil ⁽²⁾	1 Common B Trust Unit (33.3%)
Michael Denny Toronto, Ontario	Trustee since August 2, 2016. Chief Financial Officer and director of the Administrator and Investco since July 15, 2016.	2016 (expected) – \$37,500 ⁽²⁾	1 Common B Trust Unit (33.3%)
Roger Dent Toronto, Ontario (Independent) ⁽³⁾	Director of Investco since July 15, 2016.	\$0	Nil.
Tom Astle Aurora, Ontario (Independent) ⁽³⁾	Director of Investco since August 2, 2016.	\$0	Nil.

Notes:

- (1) In addition to the expected 2016 compensation to be paid to the individuals noted above, it is anticipated that these individuals could be eligible for a bonus, which, as of the date hereof, has yet to be determined. See Item 3.1.1 – *Compensation*.
- (2) In 2016, Alex Baluta and Robert Wilson will be compensated by Temperance Capital Corp. In 2017, it is expected that each of Alex Baluta, Robert Wilson and Michael Denny will be paid a base salary of \$150,000 per year.
- (3) As defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Alex Baluta and Robert Wilson own 160,000 (10.4%) and 145,000 (9.43%) common shares of Temperance Capital Corp, respectively. As at the date hereof, Temperance Capital Corp. owns 100% of the equity interests of Investco. See Item 2.1 – *Structure*.

3.1.1 Compensation

Temperance's compensation program will be determined by the independent directors of Investco, in consultation with Management and the board of directors, and in consideration of standard industry practices for entities in a similar business. It is expected that Temperance's compensation program will

directly link compensation to the achievement of corporate performance goals that enhance shareholder value and create a strong alignment between shareholder and management interests.

The key components and guidelines of Temperance's compensation program for executives are as follows:

Base Pay (Salary) - Salaries are based on available marketplace information, as well as an executive's experience, performance and level of responsibility. It is intended that base salaries will increase as Temperance's corporate size, complexity and responsibilities, increase. In addition, salaries may be adjusted based on corporate performance.

Bonuses – Bonuses are intended to be awarded annually but are discretionary in nature based on the compensation committee's (which will include a majority of independent directors) assessment of individual contribution, performance and level of responsibility and overall corporate performance. As a general guideline, the aggregate annual cash bonus paid to the senior employees and officers of Investco is intended to be based upon a percentage of Investco's EBTDA (that is, earnings after expenses including interest payments on the Investco Notes). It is expected that minimal bonuses in an amount less than \$5,000, if any, will be paid to each senior employee and officer of Investco in 2016.

Equity-Based Compensation – Awards of equity based incentive securities will be made at the discretion of the compensation committee (which will include a majority of independent directors) and are based on the individual's contribution to corporate performance during the compensation period, as well as the overall competitiveness of the executive compensation package. As a general guideline, the number of outstanding equity based incentive securities granted to senior employees, officers and directors of Investco shall not exceed approximately 15% of the outstanding common shares of Investco (calculated at the time of grant of new equity based incentive securities); provided that the independent directors maintain discretion to grant equity based incentive securities in excess of this threshold to new employees or in such other circumstances as the independent directors deem appropriate.

3.2 Management Experience

Set forth below is a description of the principal occupation and business experience of each of the Trustees of the Trust and the directors and officers of the Administrator and Investco.

Name	Principal Occupation and Related Experience
Alex Baluta	<p>Mr. Baluta has over 25 years of professional experience in investment banking, research, acquisitions, operations, consulting and entrepreneurship. His primary focus throughout his career has been on advising, analyzing, operating and investing in small and medium sized enterprises.</p> <p>Prior to co-founding Temperance Capital Corp. in 2014, between June 2009 and May 2013, Mr. Baluta served as senior executive in charge of corporate development at NexJ Systems where he was in charge of financial and acquisition strategy as well as operational best practice efficiencies and deployment. Between April 2013 and November 2014, Mr. Baluta was also the CEO and founder of Minoe.com, a social internet start-up focused on local social interactions and productivity.</p> <p>Mr. Baluta has extensive experience in the brokerage and investment banking industry including research, investment banking, and equity sales both in the U.S. and Canada. Between January 2008 and June 2009, Mr. Baluta was responsible for</p>

	<p>technology investment banking at Mackie Research Capital and between January 2005 to June 2009 at MerMax Capital. Between 2003 and 2005, Mr. Baluta was director of institutional equity sales at UBS Canada. Between 1993 and 2001 Mr. Baluta was a technology research analyst with Robertson Stephens Inc. (San Francisco), Merrill Lynch Canada and Marleau Lemire Securities. While at Merrill Lynch Mr. Baluta earned a top ranking in Canada based on the Brendan Woods survey of analysts. Mr. Baluta started his career as a software developer with Accenture (formally Andersen Consulting) between 1989 and 1990.</p> <p>Mr. Baluta has a Bachelor of Commerce from the University of Manitoba (1987) and International MBA from York University (1992). Mr. Baluta also earned his accreditation as a Certified Investment Manager. Mr. Baluta is currently a director and chairman of the board of Nevaro Capital Corporation.</p>
Robert Wilson	<p>Mr. Wilson is the President of Temperance Capital Corp. Mr. Wilson has a 30 year career in banking, investment management, investment banking, M&A and corporate management. Prior to joining Temperance, Mr. Wilson served as an executive and director of a number of public companies including Asia Bio-Chem Group Corp where he served as Executive Vice President and director since January 2008.</p> <p>Mr. Wilson was Managing Director of Mackie Research Capital Corporation from April 2004 to January 2008; Vice President of BMO Nesbitt Burns from May 1998 to November 2001; and Vice President of Yorkton Securities from May 1995 to March 1997. During his tenure with these firms, Mr. Wilson was responsible for over 200 equity capital markets transactions including; initial public offerings, cross border securities offerings; private placements, reverse mergers, and mergers and acquisitions.</p> <p>In addition, between November 2001 and April 2004 Mr. Wilson was an independent consultant, providing divestiture consulting services to public companies in the technology and telecom industry.</p> <p>Between December 1993 and May 1995, Mr. Wilson was a portfolio manager at Working Venture Canadian Fund Inc., which, at the time, was Canada's largest venture capital fund. At Working Ventures, Mr. Wilson was responsible for the structuring, negotiation and management of technology investments.</p> <p>Prior to joining Working Ventures, Mr. Wilson was Vice President, investment banking at Marathon Funding and First Marathon Securities between April 1990 and December 1993. Between 1986 and 1989 Mr. Wilson held various positions in credit analysis and commercial lending at two Canadian schedule B banks.</p> <p>Mr. Wilson earned a Bachelor of Commerce degree from Carleton University in Ottawa, Ontario in 1986. Mr. Wilson currently serves as a director of Gourmet Ocean Products which is listed on the TSX Venture Exchange.</p>
Michael Denny	<p>Mr. Denny has over 20 years of experience as a senior investment banker to growth companies advising them on equity and debt placements, and strategic acquisitions and divestitures.</p> <p>Prior to joining Temperance, Mr. Denny was a director and President and CEO of</p>

	<p>Portola Resources Limited, a TSX listed company that was undergoing a transition to an industrial royalty investment company. Between 2007 and 2013, Mr. Denny was a Managing Director in the investment banking group of Mackie Research Capital. From 2005 to 2007, he was a senior investment banker with Westwind Partners covering the healthcare and biotechnology sectors. From 1995 to 2005, Mr. Denny was senior investment banker at Yorkton Securities where he served as a director and co-head of investment banking.</p> <p>During his career as a senior investment banker, Mr. Denny completed 86 lead managed equity offerings for 56 companies, including eight initial public offerings. Collectively, these lead managed transactions raised \$1.5 billion from investors.</p> <p>Mr Denny is a past Chair of Ottawa based BioteCanada, Canada's national association of biotechnology companies. He holds an MBA from the Ivey School of Business at Western University (1987) and a Bachelor of Arts degree from York University (1985).</p>
Roger Dent	<p>Mr. Dent is an independent director of Investco. He has served as the Chief Executive Officer and a director of Quinsam Capital Corporation since December 2013 and is a director of AcuityAds Holdings Inc., Omni-Lite Industries Canada, Inc., Quinsam Opportunities I Inc., The Tinley Beverage Company Inc. and California Nanotechnologies Corp.</p> <p>From 2003 to 2011, he held various positions, including portfolio manager, with Matrix Fund Management Inc., where he managed the Matrix Strategic Small Cap Fund and the Matrix Small Companies Fund. He was formerly Vice-Chairman of one of Canada's largest independent investment dealers, and was Managing Director and Deputy Manager of Research at CIBC World Markets.</p> <p>He holds a Master of Business Administration from Harvard Business School and a Bachelor of Commerce from Queen's University.</p>
Tom Astle	<p>Mr. Astle is the Chief Financial Officer of Difference Capital Management, which he joined in 2013. Prior thereto Mr. Astle was Managing Director, Head of Research at Byron Capital Markets from 2011 to 2013; and prior thereto he was an Executive Vice President at Dundee Securities from 2007-2011 and Senior Vice President at National Bank Financial from 2003-2007.</p> <p>Mr. Astle has over 20 years' experience in equity research and capital markets management, and was one of the top ranked technology and sector analysts for almost 15 years with experience in Canadian, U.S. and European markets by Brendan Woods. Mr. Astle recently ran a 40 person equity research department at Dundee Capital Markets.</p>

3.3 Penalties, Sanctions and Bankruptcy

Other than as set forth below, no Trustee or control person of the Trust and no director, executive officer or control person of the Administrator or Investco has, within the ten years prior to the date of this Offering Memorandum, been subject to any penalties or sanctions or cease trade orders that have been in effect for a period of more than 30 consecutive days, or been declared bankrupt or made a voluntary

assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Other than as set forth below, no Trustee or control person of the Trust and no director, executive officer or control person of the Administrator or Investco has been, in the past ten years, a director, executive officer or control person of an issuer that, while such individual served in such capacity, was subject to any penalties or sanctions or cease trade orders that have been in effect for a period of more than 30 consecutive days or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the issuer.

On December 17, 2001, Roger Dent entered into a settlement agreement with the Ontario Securities Commission in relation to perceived conflicts of interests among Yorkton Securities Inc., a registered broker and investment dealer, where Mr. Dent served as Director of Research and Vice Chairman from 1996 to 2002, and its issuer clients. Mr. Dent consented to the making of an order against himself and agreed to the following terms of settlement with the OSC: (i) a voluntary payment to the OSC in the amount of \$50,000; (ii) a payment to the OSC in the amount of \$10,000 in respect of costs associated in the matter against Mr. Dent; and (iii) a reprimand.

On April 25, 2014 a Statement of Claim was filed with the Alberta and British Columbia courts relating to a proposed class action on behalf of the current and former shareholders of Asia Packaging Group Inc. (“**Asia Packaging**”), an issuer listed on the TSX Venture Exchange. Asia Packaging, its auditors, and each of the then directors and officers of Asia Packaging, including Robert Wilson, are all named as defendants. As at the date hereof, this legal action has not been certified as a class action. This legal action is in no way related to the business of Temperance Capital Corp., Investco or the Trust and the outcome of this legal action will not affect the business of Temperance Capital Corp., Investco or the Trust.

3.4 Loans

None of the directors or officers of the Administrator, or any of the Trustees, promoters or principal security holders of the Trust are indebted to the Trust or its affiliates.

ITEM 4. CAPITAL STRUCTURE

4.1 Unit Capital of the Trust

Description of Security	Number Authorized to be issued	Price per Security	Number Outstanding as at August 3, 2016	Maximum Number outstanding after \$20,002,000 Offering⁽¹⁾
Common A Trust Units ⁽²⁾	Unlimited	\$0.001 - \$0.01	0	2,000,000
Common B Trust Units ⁽³⁾	Unlimited	\$1.00	3	3

Preferred A Trust Units ⁽⁴⁾	Unlimited	\$10.00 - \$10.62	0	2,000,000
Preferred A(USD) Trust Units	Unlimited	US\$10.00 – US\$10.62	0	0

Notes:

- (1) There is no minimum or maximum amount of funds to be raised pursuant to the Offering. For illustrative purposes only, this amount assumes an Offering of \$20,002,000 (2,000,000 CDN Tied Units prior to December 31, 2016).
- (2) See Item 5.1.3 – *Common A Trust Units*, for the terms of the Common A Trust Units.
- (3) See Item 2.7.1 – *Declaration of Trust – Attributes of the Units of the Trust*, for the terms of the Common B Trust Units.
- (4) See Item 5.1.1 – *Preferred A Trust Units*, for the terms of the Preferred A Trust Units.
- (5) See Item 5.1.2 – *Preferred A(USD) Trust Units*, for the terms of the Preferred A(USD) Trust Units.

4.2 Long Term Debt

As of the date hereof, neither the Trust nor Investco has any debt outstanding. Assuming that a minimum of \$20 million is raised by the Trust pursuant to the Offering, The Trust and Investco does not intend to incur any long term indebtedness senior to the Preferred Trust Units or the Investco Notes, as applicable, in the next 12 months. Short term indebtedness in the form of a credit facility for the purpose of making Preferred Royalty Investments, if any, will be undertaken by Investco at the discretion of Management upon such terms and conditions as Management determine to be appropriate or acceptable.

The Trust and Investco may incur additional indebtedness in the future, and such indebtedness may be secured by the applicable entity's assets. Such indebtedness, if any, will be undertaken at the discretion of the Administrator and Management, respectively, upon such terms and conditions as they determine to be appropriate or acceptable. Assuming that a minimum of \$20 million is raised via the Offering, Management intends to limit the aggregate amount of Investco's indebtedness that is senior to the Investco Notes to 33% of the asset value of the Preferred Royalty Investments of Investco. For the purposes of this calculation, Investco's indebtedness shall not include indebtedness which has a term or maturity of one year or less.

4.3 Prior Sales by the Trust

The following table sets forth a description of the securities of the Trust issued since formation. These securities have not been issued as part of this Offering.

Date of Issue	Type of Security	Number of Securities Issued	Price Per Security	Total Funds Received
August 2, 2016	Common B Trust Units	3	\$1.00	\$3.00

ITEM 5. SECURITIES OFFERED

5.1 Terms of Securities

The Offering consists of Tied Units, each of which is either: (i) a CDN Tied Unit comprised of a Preferred A Trust Unit and a Common A Trust Unit; or (ii) a USD Tied Unit comprised of a Preferred A(USD) Trust Unit and a Common A Trust Unit. See Item 2.1 – *Structure*.

The price of the securities to be issued under this Offering Memorandum is as follows:

	CDN Tied Units	USD Tied Units
On or before December 31, 2016	\$10.00 per Preferred A Trust Unit. \$0.001 per Common A Trust Unit	US\$10.00 per Preferred A(USD) Trust Unit. \$0.001 per Common A Trust Unit
After December 31, 2016 and on or before April 30, 2017	\$10.62 per Preferred A Trust Unit. \$0.01 per Common A Trust Unit	US\$10.62 per Preferred A(USD) Trust Unit. \$0.01 per Common A Trust Unit

Except with the consent of the Administrator, the minimum subscription is 500 Tied Units (\$5,000.50 for CDN Tied Units or US\$5,000.00 and \$0.50 for USD Tied Units prior to December 31, 2016).

Concurrent with or subsequent to this Offering of Tied Units, the Trust may also offer additional Common A Trust Units, Preferred A Trust Units, Preferred A(USD) Trust Units or Preferred Trust Units of any other class or series from time to time.

If Investco conducts an issuance of equity securities from treasury to the officers and directors of Investco, Temperance Capital Corp. or their respective affiliates, other than pursuant to approved equity based compensation plans, Investco shall grant the Trust a pre-emptive right to participate in such issuance on the same terms.

5.1.1 Preferred A Trust Units

The Preferred A Trust Units have those rights, privileges, restrictions and conditions ascribed thereto as set forth in the Declaration of Trust, including the following:

Voting Rights

Except as provided below, no holder of Preferred A Trust Units shall be entitled to receive notice of, or to attend, any meeting of Unitholders or to vote at any such meeting or to vote in respect of any matter whatsoever requiring Unitholder approval pertaining to the Trust (whether at a meeting or by written resolution). The Trust shall call and hold a meeting of Unitholders, at which only Preferred A Trust Unitholders may attend and vote separately as a class, where the matter for which approval is being sought is:

- (a) to amend the rights, privileges, limitations, restrictions and conditions attaching to the Preferred A Trust Units, including amendments to:
 - (i) remove or change rights to distributions in a manner materially prejudicial to holders of Preferred A Trust Units;
 - (ii) add, remove or change, redemption rights in a manner materially prejudicial to holders of Preferred A Trust Units;
 - (iii) reduce or remove a distribution preference or a liquidation preference; or

- (iv) add, remove or change, in a manner materially prejudicial to holders of Preferred A Trust Units, voting, transfer or pre-emptive rights, or rights to acquire other securities;
- (b) to carry out and give effect to any of the following actions if the resulting effect to the holders of Preferred A Trust Units would be materially prejudicial thereto:
 - (i) effect an exchange, reclassification or cancellation of all or part of the Preferred A Trust Units; or
 - (ii) effect an exchange or create a right of exchange of all or part of the units of another class or series of Units of the Trust into the Preferred A Trust Units;

provided however, that all matters set forth above must also be approved by the Common B Unitholders, voting separately as a class, in accordance with the terms of the Declaration of Trust.

Distribution Policy

The Trust will invest the proceeds from the sale of the Preferred A Trust Units into Investco Notes denominated in Canadian dollars. Any amounts received by the Trust on account of interest earned by the Trust on the Investco Notes will be distributed to the holders of Preferred A Trust Units in the manner set forth below. See Item 2.7.4 – *Investco Notes*.

The Trustees, on behalf of the Trust, in respect of each Distribution Period, shall declare payable to holders of Preferred A Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period, all, any part, or none of the Preferred A Distributable Cash for such Distribution Period (such aggregate amount so declared being herein referred to as the “**Preferred A Distribution Amount**”) as follows:

- (a) First, the Preferred A Distribution Amount shall be distributed to the holders of Preferred A Trust Units, without preference or priority, until each such holder of Preferred A Trust Units shall have received a fixed cumulative distribution at the rate of \$0.85 per unit per year, as adjusted (if necessary) to properly reflect the duration of the Distribution Period if other than 12 months.

In the event that a Preferred A Trust Unit was not issued and outstanding on each day within such Distribution Period then the Preferred A Distribution Amount in respect of such Preferred A Trust Unit shall be adjusted to be the product obtained when such amount is multiplied by the quotient obtained when (i) the number of days in the Distribution Period during which such Preferred A Trust Unit was issued and outstanding, is divided by (ii) the total number of days in the Distribution Period, and such amount shall be payable as the distribution in respect of such Preferred A Trust Unit. Such adjustment calculation shall be made in respect of each Preferred A Trust Unit which was not issued and outstanding on each day within the Distribution Period.

- (b) Second, after the payment in full of the distribution in paragraph (a) above, the remaining Preferred A Distribution Amount (the “**Preferred A Growth Distribution Amount**”), if any, shall be distributed to holders of Preferred A Trust Units that have been issued and outstanding for a period greater than one year on the Distribution Record Date for a particular Distribution Period (the “**Eligible Preferred A Trust Units**”). The holder of each Eligible Preferred A Trust Unit will be entitled to a share of the Preferred A Growth Distribution Amount which shall be determined by multiplying the Preferred A Growth Distribution Amount by a fraction, the numerator of which is the number of fiscal quarters (rounded up for partial quarters) that such Eligible Preferred A Trust Unit has been outstanding, and the denominator of which is the sum of

the number of fiscal quarters (rounded up for partial quarters) that all Eligible Preferred A Trust Units have been outstanding.

Subject to the Declaration of Trust, the Preferred A Distribution Amount payable to holders of Preferred A Trust Units in respect of a Distribution Period (as determined pursuant to paragraphs (a) and (b) above) shall be paid in cash on or before the Distribution Payment Date attributable to such Distribution Period, provided that if the Distribution Record Date is on or after October 1 in any calendar year then the Distribution Amount payable to holders of Preferred A Trust Units for the Distribution Period pertaining to such Distribution Record Date shall be due and payable as of 5:00 p.m. (Toronto time) on December 31 in such year.

Participation Upon Liquidation or Winding Up

In the event of the liquidation, dissolution or winding up of the Trust or other distribution of assets of the Trust among its Unitholders for the purpose of winding up its affairs, the holders of the Preferred A Trust Units shall, subject to the rights of the holders of any other class or series of Units entitled to receive assets of the Trust upon such a distribution in priority to, or concurrently with, the holders of the Preferred A Trust Units, be entitled to participate in the distribution. The Preferred A Trust Units shall be entitled to a portion of such distribution determined in the same manner as set forth in the distribution policy for the Preferred A Trust Units set forth in the Declaration of Trust or any Supplement.

Redemption Rights

The Preferred A Trust Units are subject to redemption rights. See Item 2.7.1 – *Declaration of Trust – Redemption Rights* and Item 2.7.1 – *Declaration of Trust – Attributes of the Trust Units*.

Reference should also be made to the Declaration of Trust for a complete description of all the terms of the Preferred A Trust Units.

5.1.2 Preferred A(USD) Trust Units

The Preferred A(USD) Trust Units have those rights, privileges, restrictions and conditions ascribed thereto as set forth in the Declaration of Trust, including the following:

Voting Rights

Except as provided below, no holder of Preferred A(USD) Trust Units shall be entitled to receive notice of, or to attend, any meeting of Unitholders or to vote at any such meeting or to vote in respect of any matter whatsoever requiring Unitholder approval pertaining to the Trust (whether at a meeting or by written resolution). The Trust shall call and hold a meeting of Unitholders, at which only Preferred A(USD) Trust Unitholders may attend and vote separately as a class, where the matter for which approval is being sought is:

- (a) to amend the rights, privileges, limitations, restrictions and conditions attaching to the Preferred A(USD) Trust Units, including amendments to:
 - (i) remove or change rights to distributions in a manner materially prejudicial to holders of Preferred A(USD) Trust Units;
 - (ii) add, remove or change, redemption rights in a manner materially prejudicial to holders of Preferred A(USD) Trust Units;

- (iii) reduce or remove a distribution preference or a liquidation preference; or
- (iv) add, remove or change, in a manner materially prejudicial to holders of Preferred A(USD) Trust Units, voting, transfer or pre-emptive rights, or rights to acquire other securities;
- (b) to carry out and give effect to any of the following actions if the resulting effect to the holders of Preferred A(USD) Trust Units would be materially prejudicial thereto:
 - (i) effect an exchange, reclassification or cancellation of all or part of the Preferred A(USD) Trust Units; or
 - (ii) effect an exchange or create a right of exchange of all or part of the units of another class or series of Units of the Trust into the Preferred A(USD) Trust Units;

provided however, that all matters set forth above must also be approved by the Common B Unitholders, voting separately as a class, in accordance with the terms of the Declaration of Trust.

Distribution Policy

The Trust will invest the proceeds from the sale of the Preferred A(USD) Trust Units into Investco Notes denominated in United States dollars. Any amounts received by the Trust on account of interest earned by the Trust on the Investco Notes will be distributed to the holders of Preferred A(USD) Trust Units in the manner set forth below. See Item 2.7.4 – *Investco Notes*.

The Trustees, on behalf of the Trust, in respect of each Distribution Period, shall declare payable to holders of Preferred A(USD) Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period, all, any part, or none of the Preferred A(USD) Distributable Cash for such Distribution Period (such aggregate amount so declared being herein referred to as the “**Preferred A(USD) Distribution Amount**”) as follows:

- (a) First, the Preferred A(USD) Distribution Amount shall be distributed to the holders of Preferred A(USD) Trust Units, without preference or priority, until each such holder of Preferred A(USD) Trust Units shall have received a fixed distribution at the rate of US\$0.85 per unit per year, as adjusted (if necessary) to properly reflect the duration of the Distribution Period if other than 12 months.

In the event that a Preferred A(USD) Trust Unit was not issued and outstanding on each day within such Distribution Period then the Preferred A(USD) Distribution Amount in respect of such Preferred A(USD) Trust Unit shall be adjusted to be the product obtained when such amount is multiplied by the quotient obtained when (i) the number of days in the Distribution Period during which such Preferred A(USD) Trust Unit was issued and outstanding, is divided by (ii) the total number of days in the Distribution Period, and such amount shall be payable as the distribution in respect of such Preferred A(USD) Trust Unit. Such adjustment calculation shall be made in respect of each Preferred A(USD) Trust Unit which was not issued and outstanding on each day within the Distribution Period.

- (b) Second, after the payment in full of the distribution in paragraph (a) above, the remaining Preferred A(USD) Distribution Amount (the “**Preferred A(USD) Growth Distribution Amount**”), if any, shall be distributed to holders of Preferred A(USD) Trust Units that have been issued and outstanding for a period greater than one year on the Distribution Record Date for a

particular Distribution Period (the “**Eligible Preferred A(USD) Trust Units**”). The holder of each Eligible Preferred A(USD) Trust Unit will be entitled to a share of the Preferred A(USD) Growth Distribution Amount which shall be determined by multiplying the Preferred A(USD) Growth Distribution Amount by a fraction, the numerator of which is the number of fiscal quarters (rounded up for partial quarters) that such Eligible Preferred A(USD) Trust Unit has been outstanding, and the denominator of which is the sum of the number of fiscal quarters (rounded up for partial quarters) that all Eligible Preferred A(USD) Trust Unit have been outstanding.

Subject to the Declaration of Trust, the Preferred A(USD) Distribution Amount payable to holders of Preferred A(USD) Trust Units in respect of a Distribution Period (as determined pursuant to paragraphs (a) and (b) above) shall be paid in cash on or before the Distribution Payment Date attributable to such Distribution Period, provided that if the Distribution Record Date is on or after October 1 in any calendar year then the Distribution Amount payable to holders of Preferred A(USD) Trust Units for the Distribution Period pertaining to such Distribution Record Date shall be due and payable as of 5:00 p.m. (Toronto time) on December 31 in such year.

Participation Upon Liquidation or Winding Up

In the event of the liquidation, dissolution or winding up of the Trust or other distribution of assets of the Trust among its Unitholders for the purpose of winding up its affairs, the holders of the Preferred A(USD) Trust Units shall, subject to the rights of the holders of any other class or series of Units entitled to receive assets of the Trust upon such a distribution in priority to, or concurrently with, the holders of the Preferred A(USD) Trust Units, be entitled to participate in the distribution. The Preferred A(USD) Trust Units shall be entitled to a portion of such distribution determined in the same manner as set forth in the distribution policy for the Preferred A(USD) Trust Units set forth in the Declaration of Trust or any Supplement.

Redemption Rights

The Preferred A(USD) Trust Units are subject to redemption rights. See Item 2.7.1 – *Declaration of Trust – Redemption Rights* and Item 2.7.1 – *Declaration of Trust – Attributes of the Trust Units*.

Reference should also be made to the Declaration of Trust for a complete description of all the terms of the Trust Units.

5.1.3 Common A Trust Units

The Common A Trust Units have those rights, privileges, restrictions and conditions ascribed thereto as set forth in the Declaration of Trust, including the following:

Voting Rights

Except as provided below, no holder of Common A Trust Units shall be entitled to receive notice of, or to attend, any meeting of Unitholders or to vote at any such meeting or to vote in respect of any matter whatsoever requiring Unitholder approval pertaining to the Trust (whether at a meeting or by written resolution). The Trust shall call and hold a meeting of Unitholders, at which only Common A Unitholders may attend and vote separately as a class, where the matter for which approval is being sought is:

- (a) to amend the rights, privileges, limitations, restrictions and conditions attaching to the Common A Trust Units, including amendments to:

- (i) remove or change rights to distributions in a manner materially prejudicial to holders of Common A Trust Units;
 - (ii) reduce or remove a distribution preference or a liquidation preference; or
 - (iii) add, remove or change, in a manner materially prejudicial to holders of Common A Trust Units, voting, transfer or pre-emptive rights, or rights to acquire other securities;
- (b) to carry out and give effect to any of the following actions if the resulting effect to the holders of Common A Trust Units would be materially prejudicial thereto:
- (i) effect an exchange, reclassification or cancellation of all or part of the Common A Trust Units; or
 - (ii) effect an exchange or create a right of exchange of all or part of the units of another class or series of Trust Units into the Common A Trust Units;

provided however, that all matters set forth above must also be approved by the Common B Unitholders, voting separately as a class, in accordance with the terms of the Declaration of Trust.

Distribution Policy

The Trust will invest the proceeds of the sale of the Common A Trust Units into Investco Common Shares. Any payments received by the Trust from Investco in respect of the Investco Common Shares will be distributed by the Trust to holders of Common A Trust Units in the manner set forth below.

The holders of Common A Trust Units will receive distributions if and when Investco declares a dividend on the Investco Common Shares. It is within Investco's sole discretion to determine the utilization of available cash flow from Investco's Preferred Royalty Investments for matters beyond satisfying all mandatory liabilities and other payment obligations of Investco, including the Investco Notes. It is the intention of Investco to utilize such available cash flow for acquisitions of additional Preferred Royalty Investments. Therefore, it is not expected that Investco will declare material dividends on the Investco Common Shares.

The Trustees, on behalf of the Trust, in respect of each Distribution Period, shall declare payable to holders of Common A Trust Units of record as at the close of business on the Distribution Record Date for such Distribution Period, all, any part, or none of the Common A Distributable Cash for such Distribution Period (such aggregate amount so declared being herein referred to as the “**Common A Distribution Amount**”) as follows:

- (a) Each Common A Trust Unit issued and outstanding on the Distribution Record Date for a particular Distribution Period shall be entitled, without preference or priority, to an equal share of the amount of the Common A Distribution Amount which is declared payable to the holders of Common A Trust Units above for such particular Distribution Period, which share shall be determined by dividing the amount of such Common A Distribution Amount declared payable to the holders of the Common A Trust Units by the number of issued and outstanding Common A Trust Units on such Distribution Record Date (the “**Distribution Per Common A Trust Unit**”). For greater certainty, the share of such Common A Distribution Amount distributable to a particular holder of Common A Trust Units shall be an amount equal to the Distribution per Common A Trust Unit multiplied by the number of Common A Trust Units owned of record by such holder of Common A Trust Units on such Distribution Record Date.

Subject to the Declaration of Trust, the Common A Distribution Amount payable to holders of Common A Trust Units in respect of a Distribution Period shall be paid in cash on or before the Distribution Payment Date attributable to such Distribution Period, provided that if the Distribution Record Date is on or after October 1 in any calendar year then the Distribution Amount payable to holders of Common A Trust Units for the Distribution Period pertaining to such Distribution Record Date shall be due and payable as of 5:00 p.m. (Toronto time) on December 31 in such year.

Participation Upon Liquidation or Winding Up

In the event of the liquidation, dissolution or winding up of the Trust, or other distribution of assets of the Trust among Unitholders for the purpose of winding up the affairs of the Trust, the holders of the Common A Trust Units shall, subject to the rights of the holders of any other class or series of Units entitled to receive assets of the Trust upon such a distribution in priority to, or concurrently with, the holders of the Common A Trust Units, be entitled to participate in the distribution. Such distribution to which the holders of Common A Trust Units are entitled shall be made in equal amounts per Common A Trust Unit on all the Common A Trust Units at the time outstanding without preference or distinction.

Redemption Rights

The Common A Trust Units are subject to redemption rights. See Item 2.7.1 – *Declaration of Trust – Redemption Rights* and Item 2.7.1 – *Declaration of Trust – Attributes of the Trust Units*. Within 5 years of their issuance, any redemption of a Preferred A Trust Unit or Preferred A(USD) Trust Unit may result in the mandatory redemption of a Common A Trust Unit purchased as part of a Tied Unit even if the Preferred A Trust Unit, Preferred A(USD) Trust Unit or the Common A Trust Unit has been transferred to a third party.

Reference should also be made to the Declaration of Trust for a complete description of all the terms of the Trust Units.

5.1.4 Distribution Reinvestment Plan

The Trust is expected to adopt a DRIP that will allow eligible holders of Preferred Trust Units to elect to have their quarterly cash distributions reinvested in additional Tied Units at a purchase price as may be determined by the Trustee from time to time. See Item 2.7.6 – *Summary of Distribution Reinvestment Plan*.

5.2 Subscription Procedure

5.2.1 Subscribing for Tied Units

An investor who wishes to subscribe for Tied Units must:

- (a) complete and execute the subscription form which accompanies this Offering Memorandum, including all applicable Schedules thereto;
- (b) pay the subscription price by certified cheque or bank draft made payable to “Temperance Capital Income Trust” (or as the Administrator otherwise directs) dated the date of the subscription in the amount of: (i) \$10.001 per CDN Tied Unit or US\$10.00 and \$0.001 per USD Tied Unit until December 31, 2016; or (ii) \$10.62 per CDN Tied Unit or US\$10.62 and \$0.01 per USD Tied Unit after December 31, 2016 until April 30, 2017; and

- (c) complete and execute any other documents deemed necessary by the Administrator to comply with applicable securities laws;

and deliver the foregoing to the Trust at 1010-130 Adelaide Street West Toronto, Ontario M5H 3P5 or such other location which the Administrator may specify.

In respect of a subscription for Tied Units, subject to the exercise of discretion by the Administrator, the minimum individual subscription is 500 Tied Units (\$5,000.50 for CDN Tied Units or US\$5,000.00 and \$0.50 for USD Tied Units prior to December 31, 2016). Cheques will be held until at least midnight on the second business day after the Subscriber signs the subscription agreement. Thereafter the funds will be deposited and held in escrow by the Trust pending closing of the sale of Tied Units to the Subscribers. Closings will occur at such times and on such dates as may be determined by the Administrator from time to time. Interest will not be payable on a Subscriber's subscription funds held in escrow pending closing and interest earned, if any, will be paid to and retained by the Trust. A Subscriber will become a Unitholder following the acceptance of a subscription by the Administrator. Subscriptions will be received subject to rejection or allotment in whole or in part and the Trust reserves the right to close the subscription books at any time and without notice. The Administrator has the right, in its sole and absolute discretion, to reject any subscription for Tied Units in whole or in part, for any reason. If subscriptions are not received and accepted and certain other conditions have not been satisfied or waived on or before the date selected by the Administrator (in its sole discretion), subscriptions and subscription funds will be returned to subscribers without interest or deduction.

Upon acceptance by the Administrator on behalf of the Trust of a Subscriber's subscription for Tied Units and receipt of the subscription price therefor and satisfaction of Closing conditions, the Subscriber shall become a Unitholder. Following Closing, each Subscriber who becomes a Unitholder will be entered in the records and/or registers of the Trust as a Unitholder in respect of those Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units subscribed for and accepted by the Trust. If so determined and instructed by the Trust, the registrar and transfer agent for the Trust will hold the Subscriber's Trust Units in their book-based system which means that no physical certificate will be produced but the Subscriber's Trust Units will be recorded in the unitholder registers. With Trust Units being held in the book-based system there is no risk of losing unit certificates which can be costly to replace. **Based on the foregoing, unit certificates representing the Subscriber's Trust Units may not be issued and sent to such Subscriber.**

Neither the Trust, the Trustees, nor the Administrator is responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Tied Units having regard to any such investment needs and objectives of the potential investor.

5.2.2 Representation of Qualification to Purchase

By executing a subscription agreement for Tied Units, each Subscriber will make the representation that the Subscriber meets the conditions of the applicable prospectus exemption in purchasing Tied Units pursuant to this Offering and is thus entitled under such prospectus exemption to purchase such securities without the benefit of a prospectus qualified under applicable securities laws.

5.2.3 Acceptance of Subscription Form

The acceptance by the Administrator on behalf of the Trust of a Subscriber's subscription for Tied Trust Units, whether in whole or in part, constitutes an agreement between the Subscriber and the Trust upon the terms and conditions set out in such subscription agreement whereby the Subscriber, among other

things: (i) acknowledges that he or she, upon purchase of Tied Units, is bound by the terms of the Declaration of Trust; (ii) makes various representations and warranties as more particularly set forth in the subscription agreement; and (iii) irrevocably nominates, constitutes and appoints the Trustees as his or her true and lawful attorney with the full power and authority as set out in the subscription agreement and the Declaration of Trust.

ITEM 6. CERTAIN INCOME TAX CONSEQUENCES AND EXEMPT PLAN ELIGIBILITY

6.1 General

The following summary has been prepared by Counsel and describes the principal Canadian federal income tax consideration pursuant to the Income Tax Act generally applicable to an individual (other than a trust) who acquires Units pursuant to this Offering and who, for purposes of the Income Tax Act, is resident in Canada, deals at arm's length with, and is not affiliated with, the Trust and holds the Units as capital property. Generally, Units will be capital property of a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

Certain persons who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Income Tax Act to have their Units and each other "Canadian security" (as defined in the Income Tax Act) owned by the person in the year in which the election is made and in each subsequent year, treated as capital property.

This summary is not applicable to a person: (i) an interest in which would be a "tax shelter investment" as defined in section 143.2 of the Income Tax Act; (ii) that is a "financial institution" as defined in section 142.2 of the Income Tax Act; (iii) that has elected to determine its Canadian tax results in a "functional currency" other than the Canadian dollar; or (iv) that has entered or will enter into a derivative forward agreement with respect to the Units, all within the meaning of the Income Tax Act. Such Unitholders should contact their own tax advisors having regard to their own particular circumstances.

This summary is based upon information set out in this Offering Memorandum, the provisions of the Income Tax Act in force as of the date hereof, all specific proposals to amend the Income Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and Counsel's understanding of the current published administrative and assessing policies of the Canada Revenue Agency (the "**CRA**") that have been made publicly available as of the date hereof. There can be no assurance that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Offering and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action or changes in the administrative policies or assessing practices of the Canada Revenue Agency. This summary does not take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

In general, for the purposes of the Income Tax Act, all amounts not otherwise expressed in Canadian dollars must be converted into Canadian dollars based on the daily noon rate as quoted by the Bank of Canada for the applicable day or such other rate of exchange that is acceptable to the Minister of National Revenue (Canada). A Preferred A (USD) Trust Unit is denominated in U.S. dollars. A Unitholder of Preferred A (USD) Trust Units may realize a capital gain or loss by virtue of the fluctuations in the Canadian dollar/U.S. dollar exchange rate.

This summary is of a general nature only and is not intended to be relied on as legal or tax advice or representations to any particular Unitholder. Consequently, Unitholders are urged to seek independent tax advice in respect of the consequences to them of an investment in Units having regard to their particular circumstances. You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

6.2 Status of the Trust

This summary assumes that the Trust qualifies as a “mutual fund trust” for purposes of the Income Tax Act at all relevant times.

If the Trust were to not qualify as a mutual fund trust at any particular time, the income tax considerations for the Trust and the Unitholders would be materially different from those contained herein.

This summary assumes that “investments”, within the meaning of the Income Tax Act, in the Trust are not, and will not be, listed or traded on a stock exchange or other public market. If investments in the Trust are listed or traded on a stock exchange or other public market the Trust may be taxable as a “SIFT trust” under the Income Tax Act and the Canadian federal tax considerations would be materially different from those described herein.

6.2.1 Taxation of the Trust

The Trust is subject to tax under Part I of the Income Tax Act on its income for each taxation year, including net realized taxable capital gains, dividends, accrued interest and other income paid or payable to it, less the portion thereof that is paid or payable in the year by the Trust to Unitholders and which is deducted by the Trust in computing its income for purposes of the Income Tax Act. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Trust or the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Trust will end on December 31 of each year.

Counsel has been advised by the Trust that the Trust generally intends to deduct, in computing its income, the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined and to make payable to Unitholders an amount equal for its remaining taxable income.

To the extent the Trust's investments include assets denominated in currencies other than Canadian dollars, the cost and proceeds of disposition of such assets, income and any relevant amounts must be determined for purposes of the Income Tax Act in Canadian dollars, and the Trust may therefore realize gains or losses by virtue of fluctuations in the value of foreign currencies relative to Canadian dollars.

6.2.2 Taxation of Investco

Investco will be subject to tax under the Income Tax Act in each taxation year on its taxable income for the year. In calculating its taxable income, Investco will generally be entitled to deduct reasonable expenses incurred to earn income, including interest paid on loans from the Investco Notes.

6.2.3 Taxation of Unitholders

Trust Distributions

A Unitholder will generally be required to include in computing their income for a particular taxation year any amount paid or made payable to the Unitholder in that year, whether in cash, additional Units, Trust Property or otherwise.

Provided that appropriate designations are made by the Trust, the portion of its taxable capital gains and taxable dividends received from taxable Canadian corporations that are paid or made payable to a Unitholder will retain their character as taxable capital gains and taxable dividends to the Unitholder for purposes of the Income Tax Act. Such dividends, when designated to a Unitholder that is an individual, will be subject to the gross-up and dividend tax credit provisions normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit for eligible dividends. Income of the Trust that is designated as taxable dividends from taxable Canadian corporations or as net realized capital gains may affect an individual Unitholder's liability for alternative minimum tax.

The non-taxable portion of net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year and will not reduce the adjusted cost base of the Unitholder's Units. Any other amount in excess of the net income of the Trust that is paid or made payable by the Trust to a Unitholder in a year will generally not be included in the Unitholder's income for the year but will reduce the adjusted cost base of the Units held by such Unitholder. To the extent that the adjusted cost base to a Unitholder of a Unit is less than zero at any time in a taxation year, such negative amount will be deemed to be a capital gain of the Unitholder from the disposition of the Unit in that year. The amount of such capital gain will be added to the adjusted cost base of such Unit.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. Units issued to a Unitholder as a non-cash distribution of income will have a cost amount equal to the amount of such income. A Unitholder will generally be required to average the cost of all newly-acquired Units with the adjusted cost base of Units held by the Unitholder as capital property in order to determine the adjusted cost base of the Unitholder's Units at any particular time.

Disposition of Units

On the disposition or deemed disposition of Units, a Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Units and any reasonable costs incurred by the Unitholder in connection with the disposition. The taxation of capital gains or capital losses is described below under "Capital Gains and Capital Losses".

Redemption of Units

The redemption of Units in consideration for cash, Trust Property or Redemption Notes, 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 Trust Property or Redemption Notes, less any portion thereof that is considered to be a distribution of the income of the Trust. 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) is greater (or less) than the Unitholder's aggregate adjusted cost base of the Units so redeemed and any reasonable costs of disposition.

Capital Gains and Capital Losses

Generally, one-half of any capital gain realized or deemed to be realized by a Unitholder in a taxation year will be included in the Unitholder's income for the year as a taxable capital gain. Subject to specific rules in the Income Tax Act, one-half of any capital loss realized or deemed to be realized by a Unitholder in a taxation year is an allowable capital loss which is deducted from any taxable capital gain realized by the holder in the year of disposition. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances provided for in the Income Tax Act. Capital gains realized by a Unitholder may affect a Unitholder's liability for alternative minimum tax.

If a Unitholder disposes of Units, and the Unitholder, the Unitholder's spouse or another person affiliated with the Unitholder (including a corporation controlled by the Unitholder) has also acquired Units of any series within 30 days before or after the Unitholder disposes of the Unitholder's Units (such newly acquired Units being considered "substituted property"), the Unitholder's capital loss may be deemed to be a "superficial loss". If so, the Unitholder's loss will be deemed to be nil and the amount of the loss will instead be added to the adjusted cost base of the Units which are "substituted property".

6.3 Eligibility for Investment by Exempt Plans

Provided that the Trust is a "mutual fund trust" for purposes of the Income Tax Act at all relevant times, the Units, when issued, will be a qualified investment under the Income Tax Act for Exempt Plans.

The Units will generally not be a prohibited investment for a trust governed by a RRSP, TFSA or RRIF if the annuitant or holder of the RRSP, TFSA or RRIF deals at arm's length with the Trust for the purposes of the Income Tax Act and such annuitant or holder does not have a "significant interest" (within the meaning of the Income Tax Act) in the Trust. Unitholders should consult their own tax advisors as to whether the Units will be a prohibited investment in their particular circumstances.

Trust Property or Redemption Notes received as a result of a distribution or redemption of Units will not be a qualified investment for Exempt Plans, which may result in adverse tax consequences to an Exempt Plan or the annuitant, holder or beneficiary thereof. Unitholders holding Units in an Exempt Plan should consult with their own tax advisors prior to redeeming their Units to determine the tax consequences to them of a redemption satisfied by Trust Property or Redemption Notes.

ITEM 7. COMPENSATION PAID TO SELLERS AND FINDERS

To assist with effecting sales of Tied Units, the Trust will retain one or more securities dealers on a non-exclusive basis and the Trust reserves the right, as permitted by applicable securities legislation, to retain additional securities dealers. The Trust will pay securities dealers a commission of up to 10% of the gross proceeds realized on the sale of Tied Units for soliciting, or assisting with effecting, sales of Tied Units. It is expected that such selling commissions will be comprised of: (i) a 9% selling commission; and (ii) a 1% fee payable to the lead dealer in the syndicate.

The Trust may also pay a fee to certain securities dealers, an amount of up to 1% per annum of the aggregate amount that remains invested in the Trust, beginning on the 6th anniversary of such investment, from holders of Tied Units that were introduced to the Trust by such securities dealers.

The Trust may also incur marketing and other professional services expenses in connection with the Offering.

Assuming a \$20,002,000 Offering (2,000,000 CDN Tied Units prior to December 31, 2016) and that the Trust pays the maximum commissions of 10% of the gross proceeds realized on the sale of the Tied Units, the Trust will incur commission of \$2,000,200 and offering costs of \$200,000 on closing.

Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust in connection with the Offering for funds invested in Investco. See Item 2.7.3 – *Reimbursement Agreement*. In addition, Temperance Capital Corp. has agreed to pay, without reimbursement, the initial expenses of the Trust and Investco (including offering costs and compensation for directors and officers) up to \$375,000.

ITEM 8. RISK FACTORS

The Offering should be considered highly speculative due to the nature of the Trust's business and the fact that both the Trust and Investco (in whom the Trust is invested) have limited operating history. An investment in Tied Units should only be made after consultation with independent qualified sources of investment, tax and legal advice. The directors, officers, trustees, employees and consultants of the Administrator and the Trust do not provide investment or tax advice. There is no established market for the Preferred A Trust Units, Preferred A(USD) Trust Units or the Common A Trust Units and none is expected to develop. Therefore, it may be difficult or impossible for a Subscriber to sell such securities. The subscription price per Preferred A Trust Unit, Preferred A(USD) Trust Unit and Common A Trust Unit was determined arbitrarily by the Trust.

An investment in the Trust is speculative and involves a high degree of risk. There is a risk that an investment in the Trust will be lost entirely or in part. Only investors who do not require immediate liquidity of their investment and who can afford the loss of the entire investment should consider the purchase of Tied Units.

The following is a summary of certain risk factors pertaining to the Trust and Investco (in whom the Trust is invested and in whom the Trust plans to increase its investment) but does not purport to be a complete summary of all the risks associated with an investment in securities of the Trust. The business, operations, financial condition, revenues and profitability of the Trust and Investco could be materially adversely affected by any of these risks.

8.1 Investment Risk

Risks that are specific to the Preferred A Trust Units, the Preferred A(USD) Units and the Common A Trust Units being offered hereunder include the following:

Blind Pool

The Trust will invest, via the purchase of Investco Notes and Investco Common Shares, the available net proceeds of the offering into Investco. Investco will use the proceeds from the sale of Investco Notes and Investco Common Shares to complete the Initial Investment via the purchase of Preferred Royalty Units in Succession. Other than the Initial Investment, the Trust and Investco is a "blind pool", meaning any future investments to be made indirectly through Investco have not yet been identified. Therefore, there can be no assurances that Investco will identify potential Preferred Royalty Investments. Even if Preferred Royalty Investments are identified and the completion of such Preferred Royalty Investments is determined to be in the best interest of Investco, Investco may not be able to finance the Preferred

Royalty Investment and additional funds may be required to complete the Preferred Royalty Investment. If Investco is unable to identify and acquire suitable Preferred Royalty Investments, its business, operating results and financial condition could be adversely affected. Investco will not have earnings to support payment of interest and dividends on the Investco Notes and Investco Common Shares to the Trust should its Preferred Royalty Investments prove to be unprofitable.

No Guaranteed Return

The recovery of a Subscriber's initial investment is at risk, and the anticipated return on a Subscriber's investment is based on many performance assumptions. There is no guarantee that an investment in Tied Units will earn any positive return in the short or long-term. While the Trust intends to make distributions to its Unitholders out of Distributable Cash, no assurance can be given that such distributions, if made, will continue or that they will not be reduced or eliminated. A return on, or of, investment in Tied Units is dependent upon the success of Investco (in whom the Trust is invested and in whom the Trust plans to increase its investment) in generating sufficient earnings on the assets of Investco. As a result, there is no assurance or guarantee that the Trust and, correspondingly, the purchasers of Tied Units pursuant to the Offering will earn a return on their investment.

Nature of Investment

A Subscriber's investment in the Trust requires a long-term commitment with no certainty of return. While an investment may be realized or disposed of at any time by Temperance, it is generally expected that the ultimate realization of a return on investment or the disposition of most of Temperance's investments will not occur for a number of years after such investments are made.

Distributions

The ability of the Trust to make cash distributions on its Trust Units will be principally dependent upon the Trust receiving payments from Investco pursuant to the Investco Notes and Investco Common Shares to be acquired by the Trust. Such payments from Investco are dependent on the payments Investco receives from its Preferred Royalty Investments. If Investco does not receive payments from its Target Companies, if the yield of its Preferred Royalty Investments decreases, or if insufficient funds are raised under this Offering to make sufficient Preferred Royalty Investments, Investco may not have sufficient cash flow to make all required payments of interest pursuant to the Investco Notes to the Trust, and will likely not be able to make any payments to the Trust pursuant to the Investco Common Shares. Accordingly, the Trust will likely not have sufficient cash flow to make cash distributions (or will make reduced cash distributions) to Unitholders. In such a circumstance it is possible that the Trust will make non-cash distributions and accordingly a Unitholder's tax liability for a year arising from its status as a Unitholder may exceed the amount of cash distributions received from the Trust by the Unitholders.

Distributions may Consist of Proceeds of Offerings

Distributions to Unitholders may consist, directly or indirectly, of the proceeds from the sale of securities by the Trust (including this Offering) and may also, in certain circumstances, exceed the cash flow of the Trust for any particular distribution period.

Sale of Additional Trust Units and/or Securities of Investco

The Trust may issue additional Preferred A Trust Units, Preferred A(USD) Units, Common A Trust Units or any other class or series of Preferred Trust Units in the future. The number of Preferred A Trust Units, Common A Trust Units or any other class or series of Preferred Trust Units authorized for issuance by the

Trust is unlimited. In addition, Investco may offer additional Investco Common Shares or other securities of Investco from time to time. Such additional Trust Units or securities of Investco may be created and issued without the approval of Unitholders, and may be issued in such number and for such price as is determined in the sole discretion of the Trustees and Investco, respectively. It is not possible to predict the effect, if any, that future issuances of Trust Units or securities of Investco will have on the fair market value of the Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units. An issuance of Trust Units or securities of Investco may have a dilutive effect on existing Unitholders or holders of securities of Investco (including the Trust), respectively.

Trust Units Not Insured

The Trust 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. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. In addition, although the Trust qualifies as a “mutual fund trust” as defined by the Income Tax Act, the Trust is not a “mutual fund” as defined by applicable securities legislation.

Lack of Marketability of Preferred Trust Units and Common A Trust Units

There is currently no market through which the Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units may be sold and purchasers may not be able to resell Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units purchased under this Offering Memorandum. Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units are transferable subject to the terms of the Declaration of Trust and Canadian securities law restrictions. Under certain conditions, redemptions may not be payable in cash but rather satisfied through the distribution of other Trust Property or Redemption Notes, in respect of each of which there will not be a market for such securities. An investment in Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units is hence suitable only for investors who are able to make a long-term investment and do not need full or immediate liquidity with respect to this investment.

No Voting Rights

The Preferred A Trust Units, Preferred A(USD) Trust Units and the Common A Trust Units are non-voting except in certain limited circumstances as set forth in the Declaration of Trust, which includes where there is a proposal to amend the rights, privileges, restrictions and conditions attaching to the Preferred A Trust Units, Preferred A(USD) Trust Units or Common A Trust Units, respectively. Accordingly, Unitholders will have no ability to affect the governance or management of the Trust.

Nature of Trust Units

The Trust Units do not represent a direct ownership interest in the assets of the Trust but rather a fractional beneficial interest in the Trust. The Trust Units should not be viewed by investors as shares or partnership units. Corporate law does not govern the Trust or the rights of Unitholders. As Unitholders, such holders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. Further, in the event of insolvency or restructuring under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies Creditors Arrangement Act* (Canada), a Unitholder’s position may be quite different than that of a shareholder of a corporation.

Redemption of Trust Units

In respect of redemptions of Trust Units, once the cash threshold of \$10,000 in any one month is exceeded, Unitholders may receive from the Trust (in lieu of cash) Redemption Notes or Trust Property which may not be eligible investments under Exempt Plans. In addition, holders of Common A Units may be forced to redeem such Trust Units involuntarily if the holders of the Preferred A Trust Units or Preferred A(USD) Trust Units that were purchased in connection with such Common A Units redeem their Preferred A Trust Units or Preferred A(USD) Trust Units within five years of issuance.

Substantial Redemption of Preferred Trust Units

Unitholders have the right to redeem their Trust Units upon the terms outlined in the Declaration of Trust. A substantial redemption of Trust Units may lead to the Trust demanding repayment under a substantial amount of the Investco Notes, which may adversely affect the available capital required by Investco to maintain its operations and to make Preferred Royalty Investments.

Tax Risks

No assurance can be given that changes in the Income Tax Act, or changes in the administrative policies and assessing practices of the Canada Revenue Agency, or future court decisions, or the implementation of new taxes will not adversely affect the Trust or fundamentally alter the income tax consequences to Unitholders with respect to acquiring, holding or disposing of Units. Legal, tax or administrative changes, which occur during the life of the Trust, could have an adverse effect on the Trust, the Unitholders or both. Investors are strongly encouraged to consult their tax advisors as to the tax consequences of acquiring, holding and disposing of Units purchased pursuant to the Offering. There can be no assurance that cash distributions, if any, made by the Trust will be sufficient to satisfy a Unitholder's tax liability for a year arising from its status as a Unitholder. Exempt Plans that hold Trust Property or Redemption Notes distributed by the Trust may have adverse tax consequences under the Income Tax Act. See Item 6 – *Certain Income Tax Consequences and Exempt Plan Eligibility*.

8.2 Issuer Risk

Risks that are specific to the Trust include the following:

Possible Failure to Complete the Initial Investment

Completion of the Initial Investment is subject to the Trust raising sufficient proceeds to complete the Initial Investment. Also, the Trust has not entered into a definitive agreement with respect to the Initial Investment and at the time the Trust has sufficient funds to complete the Initial Investment, such investment may no longer be available or Investco may ultimately elect not to complete the Initial Investment should superior opportunities arise. As such, there is no assurance that the Initial Investment will be completed or, if completed, will be on a price and terms that are exactly the same as disclosed in this Offering Memorandum. If the Initial Investment is not completed, Investco will seek to make other Preferred Royalty Investments in accordance with the investment objectives and restrictions outlined elsewhere in this Offering Memorandum. In addition, if completion of the Initial Investment does not take place as contemplated, Investco will not realize the benefits described in this Offering Memorandum and could suffer adverse consequences, including loss of investor confidence.

Achievement of Investment Objective

There can be no assurance that Temperance's investment strategies will be successful, that its investment objective will be achieved or that it will be able to make distributions. Temperance and the Target Companies in which Investco invests (including Succession) could realize substantial losses.

No Operating History

The Trust and Investco both have no operating history. The past investment performance of Management should not be construed as a guarantee or expectation of future results of any investment in the Trust.

Insufficient Funds under the Offering

If insufficient funds are raised pursuant to this Offering, the Trust's business development plans and prospects could be adversely affected and the Trust's ability to provide diversification to investors will be impacted as Investco may not be able to invest the full amount under the Initial Investment, or fewer Preferred Royalty Investments after the Initial Investment will be made by Investco.

Reliance on the Trustees and the Administrator

All decisions with respect to the Trust Property and the operations of the Trust are expected to be made exclusively by the Administrator or the Trustees. 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 Tied Units unless such prospective investor is willing to entrust all aspects of the management of the Trust to the Administrator and/or the Trustees.

Operational Dependence

Temperance will be entirely dependent upon the operations and assets of the Target Companies in which it invests. The distributions to the Unitholders are dependent upon the ability of Investco to generate cash flow through its Preferred Royalty Investments in Target Companies. Accordingly, subject to certain conditions, to the extent that the financial performance of a Target Company in which Investco invests declines with respect to the relevant performance measure, cash payments to Investco will decline. The failure of any material Target Company to fulfill its distribution obligations to Investco could materially adversely affect its financial condition and cash flows and accordingly, its ability to make interest and dividend payments on the Investco Notes and Investco Common Shares.

Although Management believes that it will be able to replace key personnel within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the business, financial condition, liquidity and results of operations of the Trust and Investco. Neither the Trust nor Investco carries any key man insurance.

Conflicts of Interest of Trustee, Administrator and Management

The Trustees and the directors and officers of the Administrator and Management will not be devoting all of their time to the affairs of the Trust and Investco, respectively, but will be devoting such time as required to effectively manage the Trust. The directors and officers of the Administrator and Management are engaged and will continue to be engaged in the search for business prospects on their own behalf and on behalf of others.

The Administrator acts as administrator of the Trust. Further, all of the Trustees of the Trust also serve as directors of the Administrator and Investco, which may lead to conflict of interest with respect to the Trustees and the directors and officers of the Administrator and Investco. In addition, in connection with the operations of the Trust and Investco, there may be other situations in which conflicts of interest arise as between any of the Trust, the Trustees (or any of them), and the directors and officers of the Administrator and Investco or their respective affiliates or associates (or any of them). See Item 2.7.1 – *Declaration of Trust – Conflict of Interest*.

Status of the Trust

The Trust is not a reporting issuer “mutual fund” for securities law purposes. As a result, some of the protections provided under such laws to those that invest in mutual funds will not be available to investors who invest in the Preferred Trust Units and certain restrictions imposed on mutual funds under Canadian securities laws, including National Instrument 81-102 *Investment Funds*, will not apply to the Trust. If the Trust becomes an “investment fund” under applicable securities laws, the Trust will be subject to additional obligations and restrictions under Canadian securities laws, including a restriction on the jurisdictions in which the Tied Units can be offered under this Offering Memorandum, which could negatively affect the ability of Investco to access sufficient capital to support future growth opportunities and for its operations, which could have a material adverse effect on Investco’s financial condition, results of operations or prospects which in turn would likely have a material adverse effect on the Trust.

Mutual Fund Trust Status

The Trust intends to qualify as a mutual fund trust for the purposes of the Income Tax Act. Should the Trust fail to qualify as a mutual fund trust, the income tax considerations respecting the Trust would be materially different from those described in the summary under Item 6 – *Certain Income Tax Consequences and Exempt Plan Eligibility*, and adverse income tax consequences may result, including:

- (a) The Trust Units would cease to be qualified investments for Exempt Plans with the result that an Exempt Plan may become subject to a penalty tax (or other adverse consequences), the annuitant, beneficiary or holder of such Exempt Plan may be deemed to have received income therefrom or, in the case of an RESP, the RESP may have its tax exempt status revoked.
- (b) The Trust will be subject to alternative minimum tax under the Income Tax Act.
- (c) The Trust may be required to pay tax under Part XII.2 of the Income Tax Act.
- (d) The Trust will cease to be eligible for the capital gains refund mechanism available to mutual fund trusts.

The Trust may take certain measures in the future to the extent the Trust believes them necessary to ensure that it maintains its status as a mutual fund trust. These measures could be adverse to certain Unitholders.

SIFT Trust Status

It is possible that the Trust could become a “SIFT trust” for the purposes of the Income Tax Act if the Trust Units become listed for trading or if a public market is created on which the Trust Units are traded. If the Trust became a “SIFT trust” adverse tax consequences could result to the Trust and the Unitholders. There is no intention to list the Trust Units.

Risks Associated With the Level of Foreign Ownership

In order for the Trust to qualify as a mutual fund trust under the Income Tax Act, the Trust cannot reasonably be considered to have been established or maintained primarily for the benefit of Non-Residents. The Declaration of Trust contains a limitation on Non-Resident ownership which provides that at no time may Non-Residents be the beneficial owners of more than 49% of the Units outstanding. The Declaration of Trust provides powers to the Trustees to enforce this limitation, including by selling the Units of a Non-Resident without their consent. The exercise of the Trustee's powers to enforce such Non-Resident ownership limitation may have an adverse effect on one or more Unitholders or the Trust.

Changes in Applicable Law

Legal, tax and regulatory changes in law may occur that can adversely affect the Trust and Unitholders. There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions received by the Trust or by the Unitholders. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

Lack of Independent Counsel Representing Unitholders

The Trust, the Trustees and the Administrator have consulted with and retained for their benefit Counsel to advise them in connection with the formation and terms of the Trust and the offering of Trust Units. Unitholders have not, however, as a group been represented by independent legal counsel. Therefore, to the extent that the Unitholders could benefit by further independent review, such benefit will not be available unless individual Unitholders retain their own legal counsel.

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 Trustees, each former Trustee, and the Administrator are entitled to indemnification and reimbursement out of the Trust Property, except under certain circumstances, from the Trust. In addition, the directors and officers of Investco are entitled to indemnification and reimbursement out of the assets of Investco, except under certain circumstances. Such indemnification obligations could decrease the returns which would otherwise be available to the Unitholders of the Trust.

Liability for Return of Distributions

Generally, the Unitholders do not have personal liability for the obligations of the Trust. However, under applicable law, Unitholders could be required to return distributions previously made by the Trust if it is determined that such distributions were wrongfully made or in certain other circumstances under the terms of the Declaration of Trust. Where a Unitholder has received the return of all or part of the amount contributed to the Trust, the Unitholder is nevertheless liable to the Trust or, where the Trust is terminated, to its creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the Trust to all creditors who extended credit or whose claims otherwise arose

before the return of the contribution. Additionally, Unitholders may have to return all or a portion of distributions made to them to the extent the Trust has an obligation to withhold any amounts from such distribution for tax purposes.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Trust or its assets or obligations and that, in the event that a Unitholder becomes subject to any such liabilities, the Unitholder shall be entitled to indemnity and reimbursement out of the Trust Property to the full extent of such liability. The Declaration of Trust further provides that the Trustees and the Administrator shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Trust, or the Trustees on behalf of the Trust, a contractual provision to the effect that neither the Unitholders nor the Trustees have any personal liability or obligations in respect of the obligations and liabilities of the Trust. The Trustees have waived any right at law to indemnification from any Unitholder. Notwithstanding the foregoing, there remains some risk that a Unitholder may be personally liable in respect of certain liabilities and obligations of the Trust.

8.3 Risks Associated with Preferred Royalty Investments

Risks that are specific to Preferred Royalty Investments, including the Initial Investment, include the following:

Investment Timing

Investco has not yet identified all of the potential Preferred Royalty Investments that it will make. Investco intends to conduct extensive due diligence with respect to future Preferred Royalty Investments and, as a result, suitable investment opportunities may not be immediately available. Investco cannot predict how long it will take to deploy its capital in investments. Timing will depend on, among other things, the availability of suitable opportunities to make Preferred Royalty Investments.

Return on Preferred Royalty Investments

A Preferred Royalty Investment by Investco will involve investing capital into a Target Company in exchange for a payment which is partially calculated as a percentage of the Target Company's revenues. Preferred Royalty Investments are expected to carry an initial yield of between 12% to 16% on invested capital and the yield may increase or decrease in correlation with the positive or negative revenue growth of the Target Company. There is no assurance that such initial yields will be obtained or maintained. If Investco does not receive payments from its Target Companies, if the yield of its Preferred Royalty Investments decreases, or if insufficient funds are raised under this Offering to make sufficient Preferred Royalty Investments, Investco may not have sufficient cash flow to make all required payments of interest pursuant to the Investco Notes to the Trust, and will likely not be able to make any payments to the Trust pursuant to the Investco Common Shares. Accordingly, the Trust will likely not have sufficient cash flow to make cash distributions (or will make reduced cash distributions) to Unitholders.

Limited Information Regarding Target Companies

There is generally little or no publicly available information about any Target Company, and Investco must rely on the diligence of its own employees and the consultants they hire to obtain the information necessary for its decision to invest in them. There can be no assurance that the diligence efforts of Investco will uncover all material information about any Target Company necessary for them to make a fully informed investment decision.

Agreements with Target Companies

Agreements with Target Companies pursuant to which Investco will make Preferred Royalty Investments are expected to contain numerous positive and negative covenants in place designed to protect distributions to be made to Investco and typically Investco's prior consent is required for items outside of the ordinary course of business. However, Investco will generally not have significant voting rights in Target Companies and accordingly any ability to exercise direct control or influence over the operations of Target Companies (except with respect to consent rights and in circumstances where there has been an uncured event of default and payment to Investco has not been made as required) may be limited. Distributions received by Investco from Target Companies therefore depend upon a number of factors that may be outside of Investco's control.

Lack of Liquidity

Most, if not all, Preferred Royalty Investments will be highly illiquid, and there can be no assurance that Investco will be able to realize on its investments in a timely manner or at all, which may also make the Trust difficult to value. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on their resale. In addition, private equity investments by their nature are often difficult or time consuming to liquidate.

Future Preferred Royalty Investments

Investco intends to undertake future Preferred Royalty Investments in the ordinary course of business. Achieving the benefits of Preferred Royalty Investments depends in part on having any Target Company in which Investco makes Preferred Royalty Investments perform as expected, successfully, retaining key employees and customer relationships. Such performance may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters and ultimately Investco may fail to realize anticipated benefits of other potential Investments.

8.4 Business Risks

Risks that are specific to Temperance's business include the following:

General Economic Conditions

The Trust, Investco and Target Companies are subject to changes in national or North American economic conditions, including but not limited to, recessionary or inflationary trends, capital market volatility, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. Recent market events and conditions, including the United Kingdom's recent referendum to exit the European Union ("**Brexit**"), disruptions in the international credit markets and other financial systems and the American and European sovereign debt level, have resulted in a deterioration of global economic conditions. These conditions caused a decrease in confidence in the broader U.S. and global credit and financial markets and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns remain about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. These factors negatively impacted company valuations and impacted the performance of the global economy. A return of these negative economic events could have a material adverse effect on the business, financial condition, results of operations and cash flows of each of the Trust, Investco and Succession.

In addition, economic conditions in North America and globally may be affected by political events throughout the world that cause disruptions in the financial markets, such as Brexit, either directly or indirectly. In particular, conflicts, or conversely peaceful developments, arising in the Middle East or Eastern Europe and other areas of the world that have a significant impact on the price of important commodities can have a significant impact on financial markets and global economy. Any such negative impacts could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Trust, Investco and Succession.

Fluctuations in Foreign Currency Exchange Rates

Should any Preferred Royalty Investment be made in (i) U.S. dollars; (ii) in a Target Company based in the U.S.; or (iii) in a Target Company which generates revenue in U.S. dollars, such as Succession, fluctuations in foreign currency exchange rates could adversely affect the payments of distributions to holders of Preferred A Trust Units and Common A Trust Units as such distributions are made in Canadian dollars.

Interest Rate Fluctuations

Investco may be required to obtain third party financing from time to time, which indebtedness, if any, would likely be subject to interest rates based on variable lending rates that may fluctuate over time and which will cause fluctuations in Investco's cost of borrowing.

Competitive Marketplace

Investco will be competing for investment opportunities with other entities 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 Investco will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, and achieve its targeted rate of return. In addition, if Investco makes only a limited number of investments, the aggregate returns realized could be adversely affected in a material manner by the unfavourable performance of even one such investment.

Financing Risks

In addition to the proceeds of the Offering invested in Investco, Investco may require additional capital to implement and achieve its objectives. There can be no assurance that debt or equity financing will be available or sufficient to meet the requirements of Investco to implement its objectives or, if debt or equity financing is available, that it will be on terms acceptable to Investco. The inability of Investco to access sufficient capital to support future growth opportunities and for its operations could have a material adverse effect on Investco's financial condition, results of operations or prospects which in turn would likely have a material adverse effect on the Trust.

Need for Follow-On Investments

Following an investment in a Target Company, Investco may decide to provide additional funds to a Target Company or may have the opportunity to increase its investment in a Target Company. There is no assurance that Investco will make follow-on investments or that Investco will have sufficient funds to make all or any of such investments. Any decision by Investco not to make follow-on investments or its inability to make such investments may have a substantial negative effect on any Target Company in need of such an investment or may result in a lost opportunity for Investco to increase its participation in a successful operation.

Reliance on Management

Decisions regarding the management of Investco's affairs will be made exclusively by Management. Accordingly, Subscribers must carefully evaluate the personal experience and business performance of Management. Management may retain independent contractors to provide services to Investco. These contractors have no fiduciary duty to Subscribers and may not perform consistently with the fiduciary duty owed to shareholders by Investco's board of directors. The ability of Management to successfully implement Investco's business strategy will depend in large part on the continued involvement of Management. Management does not maintain key person life insurance for the management team of Investco. If Management loses the services of its key individuals, the business, financial condition and results of operations of Investco may be materially adversely affected.

Inability to Attract and Retain Employees with Skills

The future success of Investco depends, in part, upon the ability of Target Companies in which Investco invests to attract additional skilled employees and retain their current key personnel. They may not be able to hire and retain such personnel at compensation levels consistent with their existing compensation and salary structure. Their future also depends on the continued contributions of their executive management team and other key management and technical personnel, each of whom would be difficult to replace. The loss of any of their executive officers or key personnel or the inability to continue to attract qualified personnel could harm their business, financial condition and operating results.

Debt Related Risks

A high level of indebtedness increases the risk that Investco or any of its Target Companies may default on their debt obligations. Such parties' ability to meet their debt obligations and to reduce any level of indebtedness depends on future performance. General economic conditions, business and other factors affect operations and future performance. Many of these factors are beyond the control of such parties. Investco or any of its Target Companies may not be able to generate sufficient cash flows to pay their obligations under any Preferred Royalty Investment, the Investco Notes or the Investco Common Shares and thusly, the Trust on its Trust Units, the interest on debt and future working capital or to repay all or part of their indebtedness and borrowings or equity financing may not be available to pay or refinance such debt on commercially reasonable terms. Factors that will affect the ability to raise cash through an offering of securities or a refinancing of debt include financial market conditions, the value of the entity's securities, the value of assets and performance at the time capital is required. The occurrence of any of these events could have a material adverse effect on the results of operations and financial condition of Investco or any of its Target Companies, which in turn could negatively affect the amount of distributions paid to Unitholders.

Use of Leverage

Management has the discretion to incur indebtedness to fund investments and obligations of Investco. The use of financial leverage adds financial risk to any investment.

Ability to Recover from Target Companies for Defaults May be Limited

Succession and any Target Company in which Investco invests will provide certain representations and warranties and covenants to Investco regarding its business and certain other matters. Following a transaction with Investco, any Target Company in which Investco invests may distribute all or a substantial portion of the proceeds that they receive to its security holders or owners. In the event of any loss as a result of a breach of the representations and warranties or non-compliance with any other term of

an agreement, Investco may not be able to recover the amount of the entire loss and the Target Company may not have sufficient property to satisfy such loss. In addition, any rights and remedies in the event of a default are generally subordinated to the Target Company's senior lenders, which can limit Investco's ability to recover any losses.

Target Companies Have Repurchase Rights Which May be Exercised

It is expected that each Target Company in which Investco invests will have the right to terminate their agreement with Investco through a repurchase right that arises after a fixed period of time following the closing of the investment in the applicable Target Company. Although Management believes that the Target Company's repurchase price would adequately compensate Investco for the foregone payments, Investco would be required to reinvest the cash received in order to maintain its payments to the Trust. There is no assurance that Investco would be able to successfully identify and complete any such alternative investments on a timely basis or at all.

Third Party Credit Risk

Investco may be exposed to third party credit risk through its contractual arrangements with its future joint venture partners, if any, and other parties. In the event such entities fail to meet their contractual obligations to Investco, such failures may have a material adverse effect on Investco's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Investco's ongoing capital program, potentially delaying the program and the results of such program until Investco finds a suitable alternative partner.

Management of Growth

Investco and any Target Companies in which it invests may be subject to growth-related risks including capacity constraints and pressure on their internal systems and controls. The ability of such companies to manage growth effectively will require them to continue to implement and improve their operational and financial systems and to expand, train and manage their employee base. The inability of Investco and any Target Companies in which it invests to deal with this growth may have a material adverse effect on Investco's business, financial condition, results of operations and prospects.

Uninsured and Underinsured Losses

Investco does not presently carry any insurance with respect to its assets. Investco uses its discretion in determining amounts, coverage and limits and deductibility provisions of insurance for its 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 Investco or any Target Company in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on our 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 Investco.

General Litigation Risk

In the normal course of Investco's and the Target Companies' operations, whether directly or indirectly, it may become involved in, named as a part to or the subject of, various legal proceedings, including 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 Investco and the Target Companies and as a result, could have a material adverse effect of Investco's and the Target Companies' investments, liabilities, business, financial condition and results of operations. Even if Investco or the Target Companies 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 Investco's and the Target Companies' business operations, which could have a material adverse effect on Investco's and the Target Companies' business, cash flow, financial condition and results of operations and ability to make distributions to the Trust, and thusly, the Unitholders.

Inability to Win or Maintain Contracts with Existing Customers

Individual orders of products or services are subject to cancellation or rescheduling due to many factors that may lead Target Companies' customers to redeploy resources. Customers may also cease placing orders or cancel these agreements in their entirety, in which case remedies may be limited. In addition to potential changes in their views regarding Target Companies' products or services, customers may also take such steps in response to changes in economic conditions generally or in regulatory environments. Cancellation or postponement of one or more significant contracts, or parts thereof, could have a material adverse effect on results of operations, cash flows and financial condition of a Target Company and therefore Investco.

Failure or Delay in Successful New Product or Service Development

Target Companies in which Investco may invest may have customers with high demands regarding access to a broad range of products, services and technologies and they may have to continue to develop their expertise to design, manufacture and market their products and services successfully. Customers rigorously evaluate their suppliers on the basis of a number of factors, including product or service quality, reliability and timeliness of delivery, accuracy, new product or service innovation, price competitiveness, technical expertise and development capability, product or service design capability, operational flexibility, customer service and overall management. Their success may therefore depend, to a significant extent, on their development of new products, services and technologies and their ability to continue to meet their customers' changing requirements.

As a result, in addition to enhancing their current product, service and solutions portfolio, Target Companies in which Investco may invest may have to continually strive to offer new products, services and design new technologies. This would require continued investment in product, services and technology development to help them maintain or increase their current market position and to allow them to respond to changing customer needs.

However, they may be unable to develop or commercialize technological advances and introduce new products or services in a manner and to an extent sufficient for them to remain competitive within their industry. For example, they may, among other things, lack capacity to invest the required level of human and financial resources necessary to develop these products or services, commit errors or misjudgments in their planning in these areas or experience difficulties in implementing rollouts. In addition, they may not be able to meet their product or service development and delivery schedules as a consequence of unforeseen problems during the design or development phases of new product, service and technology

introductions. If they fail to enhance existing products or services, develop new products or services, or keep pace with developing technology, growth opportunities could be lost or they may lose existing customers.

Energy and Commodity Price Increases

Target Companies and their suppliers rely on various energy, raw materials and commodities sources in their manufacturing and transportation activities. Energy, raw materials and commodities prices may be subject to increases and volatility caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events and government regulations. While significant uncertainty currently exists about the future levels of energy, raw material and commodity prices, a significant increase is possible. Increased energy prices could increase raw material, commodities and transportation costs. In addition, increased transportation, raw materials and commodities costs of their suppliers and customers could be passed along to them. They may not be able to sufficiently offset costs by increasing their own prices, engineering products with reduced commodity content, engaging in hedging strategies or otherwise. In addition, any increase in their prices may reduce their future customer orders which could harm their business, financial condition and operating results.

Expansion of Manufacturing Capacity

Target Companies in which Investco invests may not be able to pursue many large customer orders or sustain their historical growth rates if they do not have sufficient manufacturing capacity to enable them to commit to provide customers with specified quantities of products. If their customers do not believe that they have sufficient manufacturing capacity, they may: (i) outsource all of their production to another source that they believe can fulfill all of their production requirements; (ii) look to a second source for the manufacture of additional quantities of the products that the Target Companies in which Investco invests manufacture for them; (iii) manufacture the products themselves; or (iv) otherwise decide against using the services of the Target Companies for their products. In the event that any Target Companies in which Investco invests are unsuccessful in their attempts to expand their manufacturing capacity, their business, financial condition and operating results could be harmed.

Equipment Risks

The ability of Target Companies to meet customer demands in respect of performance and cost will depend, in some part, upon continuous improvements in operating and technology equipment. There can be no assurance that such businesses will be successful in their efforts in this regard or that they will have the resources available to meet this continuing demand. Their failure to do so could have a material adverse effect on them. No assurances can be given that competitors will not achieve technological advantages over any Target Company.

Product Liability

It is likely that Target Companies will be subject to potential product liabilities connected with their operations, including liabilities and expenses associated with product defects.

Seasonality

Target Companies may be influenced by seasonal patterns. Seasonal factors and unexpected weather patterns may lead to declines in profitability of the operating businesses in which Investco invests, leading to lower returns to Investco.

Compliance with Applicable Environmental Laws and Regulations

The sale and manufacturing of products or provision of services may subject Target Companies in which Investco invests to environmental laws and regulations. Although Management does not currently anticipate any material adverse effects based on the nature of the industries in which it will actively seek out Target Companies for investment, should any Target Company in which Investco invests be subject to such laws and regulations, they will need to ensure that they and their suppliers comply with such laws and regulations as they are enacted. If any Target Company in which Investco invests fails to timely comply with such laws and regulations, their customers may cease doing business with them, which would have a material adverse effect on their business, results of operations and financial condition. In addition, if they were found to be in violation of these laws, they could be subject to governmental fines, liability to their customers and damage to their reputation, which would also have a material adverse effect on their business, results of operations and financial condition.

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 Trustees nor the Administrator are responsible for, and undertake no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Tied Units having regard to any such investment needs and objectives of the potential investor.

ITEM 9. REPORTING OBLIGATIONS

The Trust will send to Unitholders (or make available if sending is not required by applicable laws) within 120 days after the end of each fiscal year (or within such shorter time as may be required by applicable securities law): (i) the audited annual financial statements of the Trust for such fiscal year, together with comparative audited financial statements for the preceding fiscal year, if any; and (ii) so long as required by applicable securities laws, a notice of the Trust disclosing in reasonable detail the use of the aggregate gross proceeds raised by the Trust pursuant to subsection 2.9(17.19) of NI 45-106.

The Trust shall send to Unitholders (or make available if sending is not required by applicable laws) a notice of specified events under subsection 2.9(17.20) of NI 45-106.

The Declaration of Trust provides that on or before March 31 in each year (or such other date as may be required under applicable law) the Trust will provide to each Unitholder who received distributions from the Trust in the prior taxation year, such information regarding the Trust as is 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 Trust is not a “reporting issuer” or equivalent under the securities legislation of any jurisdiction. Accordingly, other than the disclosure set forth above, the Trust is not subject to the “continuous disclosure” requirements of any securities legislation and there is 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.

ITEM 10. RESALE RESTRICTIONS

10.1 General

The Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust 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 Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unitholders will not be permitted to transfer their Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units without the consent of the Trustees or the Administrator. The Declaration of Trust provides that no transfer or other disposition of Units shall be effective unless the transferor provides the proper documentation described in the Declaration of Trust, reports to the Administrator the details of the disposition and all outstanding liabilities of the transferor to the Trust have been paid, or arrangements made satisfactory to the Administrator for the assumption of such liabilities by the transferee. Further, any consent for a transfer of Common A Units that were issued on a date that was five years or less prior to the date of such transfer will be subject to the requirement, at a minimum, that the transferee acknowledges in writing, in form satisfactory to the Administrator, that such Common A Trust Units may be redeemed by the Trust for a price equal to the purchase price of such Common A Trust Units in the event that the Preferred Trust Units issued in connection with the Common A Trust Units are tendered for redemption by the holder thereof on a date that was five years or less prior to the date of issuance of such Preferred Trust Units. See Item 2.7.1 – *Declaration of Trust – Transfer of Units*.

10.2 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. The Trust has no intention of becoming a reporting issuer at this time.

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 Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units acquired under the Offering for an indefinite period of time.

10.3 Manitoba Resale Restrictions

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.

The foregoing is a summary only of resale restrictions relevant to a purchaser of the securities offered hereunder. It is not intended to be exhaustive. All subscribers under this Offering should

consult with their legal advisors to determine the applicable restrictions governing resale of the securities purchased hereunder including the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or obtaining a discretionary order.

ITEM 11. PURCHASERS' RIGHTS

If you purchase Preferred A Trust Units, Preferred A(USD) Trust Units or Common A Trust Units you will have certain rights, some of which are described below. These rights may not be available to you if you purchase the Preferred A Trust Units, Preferred A(USD) Trust Units or Common A Trust Units pursuant to an exception from prospectus requirements other than the offering memorandum exception in Section 2.9 of NI 45-106. For complete information about your rights, you should consult a lawyer.

11.1 Two Day Cancellation Right

You can cancel your agreement to purchase Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust 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 Offered Units.

11.2 Statutory Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the provinces of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a “**misrepresentation**”). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defenses and limitations contained under the applicable securities legislation. Purchasers of Preferred A Trust Units, Preferred A(USD) Trust Units and Common A Trust Units resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual right similar to the statutory right of action and rescission described below for purchasers resident in Ontario and such right will form part of the subscription agreement to be entered into between each such purchaser and the Trust in connection with this Offering.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces of Canada and the regulations, rules and policy statements thereunder. Purchasers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

Rights of Purchasers in Alberta

If you are a resident of Alberta, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Rights of Purchasers in British Columbia

If you are a resident of British Columbia, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the Trust.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Rights of Purchasers in Saskatchewan

If you are a resident of Saskatchewan and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every promoter of the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum, 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, every person who or company that signed this Offering Memorandum and every person who or company that sells securities on behalf of the Trust under this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the Trust.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six (6) years after the date you purchased the securities.

Rights of Purchasers in Manitoba

If you are a resident of Manitoba, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or two (2) years after the date you purchased the securities.

Rights of Purchasers in Ontario

If you are a resident of Ontario, and if there is a misrepresentation in this Offering Memorandum, you have a right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the Trust.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Securities legislation in Ontario does not extend the statutory rights of action for damages or rescission to a purchaser who is purchasing the securities in reliance on the “accredited investor” exemption set out in section 2.3 of NI 45-106 if the purchaser is: (a) a “Canadian financial institution” or a “Schedule III Bank” (each as defined under applicable securities laws); (b) the Business Development Bank of Canada; or (c) a subsidiary of any person referred to in (a) or (b), if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary (collectively, the “**Excluded Ontario Purchasers**”). The Excluded Ontario Purchasers will be entitled to a contractual right of action for damages or rescission that is equivalent to the statutory right of action for damages or rescission available to purchasers resident in Ontario as described above (including insofar as such rights may be subject to the defences and limitations provided for under the *Securities Act* (Ontario)).

Rights of Purchasers in Nova Scotia

If you are a resident of Nova Scotia and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities. Furthermore, no action shall be commenced to enforce the right of action discussed above unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

Rights of Purchasers in New Brunswick

If you are a resident of New Brunswick and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the Trust.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six (6) years after the date you purchased the securities.

Rights of Purchasers in Newfoundland and Labrador

If you are a resident of Newfoundland and Labrador and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or

- (b) for damages against the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

Rights of Purchasers in Prince Edward Island, Northwest Territories, Yukon and Nunavut

If you are a resident of Prince Edward Island, Northwest Territories, Yukon or Nunavut and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

If you elect to exercise a right to cancel your agreement to buy these securities against the Trust, you will have no right of action against the persons described in (b) above.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the date you purchased the securities.

ITEM 12 FINANCIAL STATEMENTS

ITEM 13 DATE AND CERTIFICATE

DATED: August 3, 2016

This Offering Memorandum does not contain a misrepresentation.

**TEMPERANCE CAPITAL INCOME TRUST
by its Administrator, TEMPERANCE CAPITAL ADMINISTRATION CORP.**

Signed: " <i>Alex Baluta</i> "	Signed: " <i>Michael Denny</i> "	Signed: " <i>Robert Wilson</i> "
Name: Alex Baluta	Name: Michael Denny	Name: Robert Wilson
Title: Chief Executive Officer	Title: Chief Financial Officer	Title: President

TEMPERANCE CAPITAL ADMINISTRATION CORP., as Administrator

Signed: " <i>Alex Baluta</i> "	Signed: " <i>Michael Denny</i> "	Signed: " <i>Robert Wilson</i> "
Name: Alex Baluta	Name: Michael Denny	Name: Robert Wilson
Title: Chief Executive Officer	Title: Chief Financial Officer	Title: President

By the Board of Directors of TEMPERANCE CAPITAL ADMINISTRATION CORP.

Signed: " <i>Alex Baluta</i> "	Signed: " <i>Michael Denny</i> "	Signed: " <i>Robert Wilson</i> "
Name: Alex Baluta	Name: Michael Denny	Name: Robert Wilson
Title: Director	Title: Director	Title: Director