This confidential offering memorandum constitutes an offering of the securities described herein only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This confidential offering memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of these securities. This confidential offering memorandum is confidential and contains certain information not publicly disclosed. No one is authorized to make any representation or give any warranty on behalf of the fund other than those representations and warranties made or referred to in this confidential offering memorandum. The securities to be offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act). See "Plan of Distribution".

CONFIDENTIAL OFFERING MEMORANDUM

Private Placement

February 2016

ESPRESSO INCOME TRUST
Head Office: 322 King Street West, Suite 403
Toronto, Ontario, M5V 1J2
Phone: (647) 288-3006 Email: invest@espressocapital.com

INITIAL SUBSCRIPTION PRICE
$1.00 per Class A Unit
$1.00 per Class F Unit
$30,000,000

The Fund:

Espresso Income Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario. The Fund proposes to offer class A units and class F units (together the "Units") at an initial price of $1.00 per Unit (the "Offering"). An unlimited number of Units of the Fund are being offered hereby. **The Fund is not a reporting issuer in any jurisdiction and these securities do not and will not trade on any exchange or market**. The Fund does not file any of its documents on SEDAR. See "Securities Offered – The Offering".

The Fund's investment objectives are to (a) provide holders of Units ("Unitholders") with regular cash distributions; and (b) preserve capital and minimize the risk of capital loss. See "Business of the Fund – Our Business – Investment Objectives". The Fund has been created to gain exposure to a diversified portfolio of senior and subordinated secured debt ("Loans"), primarily of technology companies, with Loan terms generally varying from six to thirty-six months. Loans will generally be in the form of credit facilities that produce regular income by way of monthly interest payments and fees, but may also be supplemented by way of incremental income from gains on warrants and other securities. Loans may have a priority claim on any tax credit claims as well as other government incentives and receivables, accounts receivables and other assets of the borrower.

The Fund will invest in and own class A units ("LP A Units") and class F units ("LP F Units", and together with LP A Units, "Limited Partnership Units") of Espresso Fund V LP ("Espresso LP"). Espresso LP will in turn invest in Loans originated by Espresso Capital Ltd. ("Espresso"). See "Description of Espresso LP". Espresso Trust LP (the "Manager") will act as the trustee and manager of the Fund. Espresso Capital Fund V GP Inc. (the "General Partner") will act as the general partner of Espresso LP. See "Interests of Trustees, Management and Principal Holders of the Fund",

	"Interests of Directors, Management and Principal Holders of Espresso LP" and "Description of Espresso LP".
Securities Offered:	Class A Units and Class F Units of the Fund.
Price per security:	$1.00 per Unit.
Minimum/Maximum Offering:	Maximum offering: $30,000,000 Minimum offering: **There is no minimum offering. You may be the only purchaser.** Funds available under the Offering may not be sufficient to accomplish our proposed objectives.
Minimum Subscription Amount:	$10,000 (or such lesser amount as may be agreed to by the Manager, in its sole discretion)
Payment Terms:	Full payment of the subscription price will be due upon execution and delivery of the subscription agreement and related subscription documentation. Payment should be made as directed in the subscription agreement. See "Securities Offered – Subscription Procedure".
Proposed Closing Date:	The initial closing of the Offering, and delivery of the Units, is expected to occur on or about February 29, 2016 or such other date as may be mutually agreed to among the Fund and the Agents (the "Closing"). Thereafter, additional closings shall occur upon acceptance of subscriptions by the Fund. See "Securities Offered – The Offering".
Income Tax Consequences:	There are important tax consequences relating to an investment in the Units of the Fund. See "Income Tax Consequences and RRSP Eligibility" and "Risk Factors".
Selling Agents:	The Units will be offered on a "private placement" basis on behalf of the Fund by investment dealers and exempt market dealers, each, as placement agent (collectively, the "Agents" and each, an "Agent") on a best efforts basis in accordance with the terms of a separate placement agreement between each Agent and the Fund in reliance upon certain exemptions from the prospectus requirements of applicable securities legislation. See "Resale Restrictions", "Risk Factors" and "Plan of Distribution".
Resale Restrictions:	You will be restricted from selling your Units for 4 months and a day. See "Resale Restrictions".
Purchasers' Rights:	You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Confidential Offering Memorandum, you will have the right to sue either for damages or to cancel the agreement. See "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 "Risk Factors".

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Confidential Offering Memorandum may include or incorporate by reference statements about expected future events and financial and operating results that are forward-looking. Forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "goal", "intend", "may", "outlook", "plan", "strive", "target" and "will". These forward-looking statements, if any, may reflect the internal projections, expectations, future growth, performance and business prospects and opportunities of the Fund, Espresso LP, Espresso or the Manager and will be based on information currently available to the Fund, Espresso LP, Espresso or the Manager. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, if any, as they are subject to a number of risks and uncertainties. In developing these forward-looking statements, if any, certain material assumptions would have been made. These forward-looking statements, if any, would also be subject to certain risks. See "Risk Factors". Readers are cautioned not to place undue reliance on such forward-looking statements and assumptions as the Fund, Espresso LP, Espresso or the Manager cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund, Espresso LP, Espresso or the Manager. These forward-looking statements are subject to change as a result of new information, future events or other circumstances, as discussed above, in which case they will only be updated by the Fund, Espresso LP, Espresso or the Manager where required by law.

SUMMARY OF THE OFFERING

The following is a summary and is qualified in its entirety by the more detailed information appearing elsewhere in this Confidential Offering Memorandum.

Issuer:	Espresso Income Trust (the "Fund").
The Offering:	The Fund is offering class A and class F units (together the "Units") on a private placement basis (the "Offering"). Class A Units are available to all eligible investors. Class F Units are available to investors who have a fee based account with their dealer. **There is no minimum amount of funds that must be raised under this Offering. Funds available under the Offering may not be sufficient to accomplish the Fund's investment objectives.** The Offering is being made pursuant to exemptions from the prospectus requirements of applicable securities laws in each of the provinces and territories of Canada. Prospective investors must be (a) an "accredited investor" as defined under applicable securities laws, (b) an "eligible investor" as defined under applicable securities laws or (c) a resident of British Columbia, New Brunswick, Nova Scotia or Newfoundland and Labrador. Accordingly, there will be restrictions on the resale or transfer of the Units. See "Certain Canadian Securities Law Matters", "Resale Restrictions" and "Risk Factors" for further details.
Minimum Initial Investment:	$10,000 (10,000 Units) or such lesser amount as may be agreed to by the Manager, in its sole discretion.
Price:	$1.00 per Unit if such Units are purchased on February 29, 2016, the initial closing date (in addition to any subsequent closing date, each, a "Closing Date"). An investor subscribing for Units after the initial Closing Date, including an existing holder of Units ("Unitholder"), shall pay to the Fund on the date of closing of such subscription an amount per Unit equal to the sum of (a) the most recently calculated net asset value per Unit and (b) any costs or expenses payable by the Fund in connection with the issuance of such Units.
Manager:	Espresso Trust LP will act as trustee and manager of the Fund (the "Manager").
Investment Mandate:	The Fund's investment objectives are to: (a) provide Unitholders with regular cash distributions; and (b) preserve capital and minimize the risk of capital loss. See "Business of the Fund – Our Business – Investment Objectives". The Fund has been created to gain exposure to a diversified portfolio of senior and subordinated secured debt ("Loans"), primarily of technology companies, with Loan terms generally varying from six to thirty-six months. Loans will generally be in the form of credit facilities that produce regular income by way of monthly interest payments and fees, but may also be supplemented by way of incremental income from gains on warrants and other securities. Loans may have a priority claim on any tax credit claims

as well as other government incentives and receivables, accounts receivables and other assets of the borrower.

The Fund will invest in and own class A units ("LP A Units") and class F units ("LP F Units") of Espresso LP. LP A Units and LP F Units are referred to herein as "Limited Partnership Units". Espresso LP will in turn invest in various Loans originated by Espresso Capital Ltd. ("Espresso"). Espresso LP is a limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement. Espresso Capital Fund V GP Inc. (the "General Partner") is the general partner of Espresso LP. Following the Closing Date, Espresso will originate, and Espresso LP will purchase from Espresso, Loans using the subscription proceeds received by Espresso LP in connection with the subscription for LP A Units by the Fund and other investors. See "Description of Espresso LP".

Espresso provides technology companies with debt financing, typically ranging in size from $250,000 to $3 million, through one of the following programs:

(a) tax credit and government incentive financing;

(b) recurring revenue financing; and

(c) working capital financing.

The Manager will be responsible for the management of the Fund and Espresso will be responsible for the management of Espresso LP. See "Interests of Trustees, Management and Principal Holders of the Fund" and "Interests of Directors, Management and Principal Holders of Espresso LP".

Use of Leverage: The maximum aggregate amount of leverage that Espresso LP may employ is 50% of the net asset value of Espresso LP.

Distributions: The Fund intends to pay (a) monthly cash distributions no later than the 15th day following the last day of each month in an amount equal to one-twelfth of 8% of the initial subscription price per Unit, as well as (b) an annual distribution in an amount of up to 2% of the initial subscription price per unit for any given calendar year, prorated monthly for the number of months the Unitholder holds the Units, less such amounts at the Manager's discretion needed to maintain the value of the Fund's assets or investments, implement the Fund's current investment plan or to otherwise fund the Fund's ongoing operations. The annual distribution will be paid no later than March 31 of the following year. Distributions payable to Unitholders shall not exceed (and may be less than) 10% of the initial subscription price per Unit in any calendar year and shall be declared payable no later than the last business day of December in each year.

All distributions (other than distributions paid to redeeming Unitholders) will be made on a pro rata basis to each registered Unitholder determined as of the close of business on the applicable distribution record date. After Unitholders have received distributions in a year in an amount up to 10% of the initial subscription price per Unit, the Manager shall be entitled to receive and shall be paid all revenues of the Fund in excess of 10% of the initial subscription price per Unit.

	The distribution can be expected to vary from year to year based on variations in the net asset value of the Fund. There can be no assurance that the Fund will be able to make distributions at its targeted rate. The distribution policy of the Fund, including the targeted distribution rate, will be reviewed by the Manager on an annual basis. In certain circumstances, the Fund may declare and pay a special distribution. See "Securities Offered – The Units – Distributions" and "Income Tax Consequences and RRSP Eligibility".
Redemption:	Units may be redeemed quarterly on the last business day of March, June, September and December of each year (each a "Quarterly Redemption Date"). In order to effect such a redemption, the Units must be surrendered on or before the first business day of the last month in the applicable quarter. Units surrendered after the first business day of the last month in the applicable quarter will be redeemed on the next succeeding Quarterly Redemption Date. No later than 90 days after the applicable Quarterly Redemption Date, the Fund will pay to the redeeming Unitholder, in respect of each Unit redeemed, an amount (the "Redemption Price") equal to the net asset value per Unit as at the applicable Quarterly Redemption Date, less (a) any unrealized income, as at the Quarterly Redemption Date, attributable to the Units being redeemed and (b) a redemption fee attributable to the Units being redeemed equal to 5% of the subscription price for the Units of the Fund being redeemed in the event a Unitholder redeems its Units before the first anniversary of the date of issue of such Units. No redemption fees will apply to a redemption of Units following the first anniversary of the date of issue of such Units, provided the Manager may in its sole discretion satisfy the Redemption Price on a redemption of Units by way of a distribution in specie of Loans and/or LP A Units and/or LP F Units, as applicable, of Espresso LP owned or received by the Fund with a value equal to the redemption price for such Units. Redemptions of Units in any calendar quarter shall be limited to an aggregate number not exceeding 5% of the number of Units outstanding at the end of the previous calendar quarter. The Manager may suspend the redemption of Units or the payment of redemption proceeds. See "Securities Offered – The Units – Suspension of Redemptions". See "Securities Offered – The Units − Redemptions".
Mandatory Redemption:	The Fund may in its discretion redeem all or a portion of a Unitholder's Units by giving 30 days' prior written notice to the Unitholder, specifying the number of Units to be redeemed. See "Securities Offered – The Units – Mandatory Redemptions".
Transfers of Units:	Units may only be transferred with the consent of the Manager and transfers will generally not be permitted. The transfer or resale of Units (which does not include a redemption of Units) is also subject to restrictions under applicable securities legislation. Redemption of the Units in accordance with the provisions set out herein is the only means of liquidating an investment in the Fund. See "Resale Restrictions".

Operating Expenses:	The Fund will pay for all routine and customary expenses relating to the Fund's operation, including, but not limited to fund administration, cost and interest amounts in respect of any credit facilities, any realized loan losses and associated costs or expenses, registrar and transfer agency fees and expenses, if applicable, auditing, legal, and accounting fees and expenses, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of Units including securities filing fees (if any), investor servicing costs, expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. In addition, the Fund will pay for expenses associated with ongoing investor relations and education relating to the Fund. See "Fees and Expenses – Operating Expenses".
Sales Charge:	The investor may pay a sales charge to the dealer of each investor who subscribes for Units of the Fund.
No Certificates:	Generally, the Fund will not issue Unit certificates but may do so in the discretion of the Manager. However, on any purchase, redemption or transfer of Units, the Manager shall issue confirmation slips indicating the nature of the transaction effected by the Unitholder and the number of Units held by such Unitholder after such transaction. Unit certificates, if issued, shall be in such form as the Manager may from time to time approve. See "Securities Offered – No Certificates".
Use of Available Funds:	The net proceeds derived by the Fund from the sale of Units offered pursuant to this Confidential Offering Memorandum will be used for investment purposes in accordance with the investment objectives, investment strategies and investment restrictions of the Fund as described under "Business of the Fund – Our Business. See "Use of Available Funds".
Risk Factors:	Investing in Units of the Fund involves certain risks. **An investment in the Fund may be deemed speculative and is not intended as a complete investment program.** Prospective purchasers should carefully consider the information in the "Risk Factors" section of this Confidential Offering Memorandum and consult their own professional advisors to assess the tax, legal and other aspects of an investment in Units.
Income Tax Consequences and RRSP Eligibility:	A prospective Unitholder should consider carefully all of the potential tax consequences of an investment in the Units and should consult with their tax adviser before subscribing for Units. For a discussion of certain income tax consequences of this investment see "Income Tax Consequences and RRSP Eligibility".
Eligibility for Investment:	In the opinion of Osler, Hoskin & Harcourt LLP, counsel for the Fund, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. However, the holder of a tax-free savings account that governs a trust or an annuitant of a registered

retirement savings plan or registered retirement income fund may be subject to a penalty tax pursuant to the "prohibited investment" rules in the Tax Act if the holder or annuitant does not deal at arm's length with the Fund for purposes of the Tax Act or has a "significant interest" as defined in the Tax Act in the Fund. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm's length. Prospective purchasers should consult with their own tax advisors with respect to the prohibited investment rules. See "Income Tax Consequences and RRSP Eligibility – Eligibility for Investment".

Fiscal Year: The Fund's fiscal year will end on December 31 of each year.

Auditor: KPMG LLP

SUMMARY OF ESPRESSO LP

The LP: Espresso Fund V LP is a limited partnership formed under the laws of the Province of Ontario pursuant to a limited partnership agreement between Espresso and the General Partner.

The Fund will subscribe for LP A Units and LP F Units (collectively, the "Limited Partnership Units") of Espresso LP.

General Partner: The General Partner is entitled to a monthly management fee equal to 25% of the Gross Revenue (as defined below) earned by Espresso LP in respect of the LP A Units and LP F Units for its services as general partner of Espresso LP. Fees payable to the General Partner will be calculated and payable monthly, in arrears, plus applicable taxes. "Gross Revenue" includes all revenue derived from interest income, fees and any capital gains received by Espresso LP as a result of its investments.

Performance Fee: After holders of LP A Units and LP F Units have received distributions in a year in an amount up to 10% of the initial subscription price per Unit, the Manager shall be entitled to receive and shall be paid all revenues of the Fund in excess of 10% of the initial subscriptions price per unit thereof.

Fiscal Year: Espresso LP's fiscal period will end on December 31 of each year.

USE OF AVAILABLE FUNDS

Available Funds

The following table discloses the estimated gross proceeds of the Offering and the estimated net proceeds that will be available to Espresso Income Trust (the "Fund") after the Offering (defined herein).

	Minimum Offering	Maximum Offering
Amount to be raised by the Offering	$0	$30,000,000
Selling commissions and fees	$0	$0
Estimated Offering costs	$0	$100,000
Available funds	$0	$29,900,000
Additional sources of funding required	$0	$0
Working capital deficiency	$0	$0
Total:	**$0**	**$29,900,000**

Use of Available Funds

The Fund will use the net proceeds of the Offering to invest in class A units ("LP A Units") and class F units ("LP F Units" and together with LP A Units, the "Limited Partnership Units") of Espresso Fund V LP ("Espresso LP"). The Fund has been created to gain exposure to a diversified portfolio of senior and subordinated secured debt ("Loans"), primarily of technology companies, with Loan terms generally varying from six to thirty-six months. Loans will generally be in the form of credit facilities that produce regular income by way of monthly interest payments and fees but may also be supplemented by way of incremental income from gains on warrants and other securities. Loans may have a priority claim on any tax credit claims as well as other government incentives and receivables, accounts receivables and other assets of the borrower.

The following table sets out the proposed use of the net proceeds of the Offering by the Fund:

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Investment in LP A and LP F Units of Espresso LP	$0	$29,900,000
Total:	$0	$29,900,000

Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

BUSINESS OF THE FUND

Structure

The Fund will be an investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust (the "Declaration of Trust"). Espresso Trust LP (the "Manager") will act as trustee and manager of the Fund and will provide all administrative services required by the Fund. See "Interests of Trustees, Management and Principal Holders of the Fund". The Fund is authorized to issue an unlimited number of class A units ("Class A Units") and class F units ("Class F Units" and together with Class A Units, the "Units"). See "Securities Offered – The Units".

Our Business

Investment Objectives

The Fund's investment objectives are to:

(a) provide holders of Units ("Unitholders") with regular cash distributions; and

(b) preserve capital and minimize the risk of capital loss.

Investment Strategies

The Fund has been created to gain exposure to a diversified portfolio of Loans, primarily of technology companies, with Loan terms generally varying from six to thirty-six months. Loans will generally be in the form of credit facilities that produce regular income by way of monthly interest payments and fees but may also be supplemented by way of incremental income from gains on warrants and other securities. Loans may have a priority claim on any tax credit claims as well as other government incentives and receivables, accounts receivables and other assets of the borrower.

The Fund will invest in and own LP A and LP F Units of Espresso LP. Espresso LP will in turn invest in various Loans originated by Espresso Capital Ltd. ("Espresso"). Espresso LP is a limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement (the "Limited Partnership Agreement") between Espresso and Espresso Capital Fund V GP Inc. (the "General Partner"), the general partner of Espresso LP. Following the Closing Date, Espresso will originate, and Espresso LP will purchase from Espresso, Loans using the subscription proceeds received by Espresso LP in connection with the subscription for LP A and LP F Units by the Fund. See "Description of Espresso LP".

Espresso provides technology companies with debt financing, typically ranging in size from $250,000 to $3 million, through one of the following programs:

(a) tax credit and government incentive financing;

(b) recurring revenue financing; and

(c) working capital financing.

In making its determination whether to enter into a Loan with a particular company, Espresso undertakes a rigorous diligence process leveraging Espresso's proprietary credit models to review the credit worthiness of the potential borrower. See "Investment Criteria" below for further details regarding Espresso's diligence process.

The Manager is entitled to delegate any and all of its powers. See "Interests of Trustees, Management and Principal Holders".

Leverage

The maximum aggregate amount of leverage that Espresso LP may employ is 50% of the net asset value of Espresso LP. If at any time leverage exceeds the threshold, the General Partner will cause the leverage to be reduced to below such threshold.

Other Strategies

The investment strategies described above are not intended to be exhaustive and other strategies may also be employed. The actual strategies utilized will depend upon market conditions and the relative attractiveness of the available opportunities.

Investment Restrictions

The Fund is subject to certain investment restrictions as set forth in the Declaration of Trust, including the following:

(a) at all times at least 80% of the property of the Fund must consist of a combination of: shares; property that under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire, shares; cash; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;

(b) not less than 95% of the Fund's income for each year must be derived from, or from the disposition of, investments described in (a) above; and

(c) at no time may more than 10% of the Fund's property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in Right of Canada or a province or a Canadian municipality.

Long-Term Objectives

The Fund intends to profit from revenues derived from the interest, fees and other income in connection with Espresso LP's investments.

Short-Term Objectives and How We Intend to Achieve Them

The Fund intends to meet the following objectives over the next 12 months:

What we must do and how we will do it	Target completion date	Our cost to complete
The Fund will invest in LP A and LP F Units	Initially, at the closing of the Offering of the Fund's Units and thereafter as soon as practicable following the receipt of proceeds from the issuance of additional Units.	All of the net proceeds of the offering of the Units of the Fund and the Limited Partnership Units of Espresso LP will be invested on the basis described under "Business of the Fund – Our Business – Investment Objectives" and "Business of the Fund – Our Business – Investment Strategies".

The funds available as a result of the Offering may not be sufficient to accomplish all of the Fund's proposed objectives and there is no assurance that alternative financing will be available.

INVESTMENT OVERVIEW

Overview – Market Opportunity

Espresso believes the technology sector is among the fastest growing industries in the world, with high rates of company formation, as well as job and wealth creation. However, many technology small businesses (not unlike small businesses in general) have difficulty securing sufficient debt financing.

Technology Sector Underserved by Traditional Lenders

Traditional lenders (including commercial banks) limit small business lending to loans which are secured against tangible assets such as accounts receivables, equipment and real estate. Technology small businesses, unlike traditional businesses, tend to have the bulk of their asset value in intangible rather than tangible assets, and as a result have difficulty obtaining credit from traditional lenders. Espresso believes that it has the expertise and experience, as demonstrated by its track record, to accurately assess and underwrite technology small business credit, and offer innovative products such as tax credit financing, recurring revenue financing and working capital financing to address this underserved market.

Canadian Market Opportunity

Canadian banking sources estimate that there are approximately 100,000 technology small businesses in Canada. Espresso estimates the target market for its financing solutions at approximately 15,000 of these companies.

Government Incentive Programs in Canada

The federal and provincial governments in Canada have established a variety of incentive programs focused on the technology sector in order to foster job creation and accelerate innovation. The federal government's Scientific Research and Experimental Development (SR&ED) program, according to the most recently published data, provides $1.3 billion in annual refundable tax credits to Canadian controlled private corporations. Additionally, many provinces supplement the federal SR&ED refund with a provincial R&D tax credit. Espresso estimates the combined value of federal and provincial R&D tax credits at over $2 billion annually. While R&D tax credits represent the major form of government support for the technology sector, Espresso estimates that the federal and provincial governments provide a further $1 billion in other incentives to the technology sector including other tax credits as well as loans and grants.

Competitive Positioning

Espresso has established itself as a leading provider of '*fast, fairly priced and user-friendly risk capital'* to Canadian technology small businesses. Espresso believes the following key competitive strengths differentiate it from its competitors:

- ***Brand Awareness.*** Espresso enjoys strong brand recognition across Canada as a leading provider of financing to technology small businesses.

- ***Proprietary Credit Models and Advanced Analytics.*** Espresso employs proprietary credit models, including the use of advanced analytics, to evaluate the creditworthiness of potential borrowers. Espresso believes that its proprietary models and processes, developed over the course of over six

years of operating history and the origination of hundreds of loans, enable it to better assess and underwrite technology small business credit risk.

- ***Funding Speed.*** Standardized origination and underwriting processes, and simplified documentation, enable Espresso to quickly and efficiently process Loans relative to competitors.

- ***Risk-Based Pricing.*** Espresso uses a sophisticated risk-based pricing model to position its offerings as "fairly priced" and thereby build a more favorable brand perception in the marketplace than many of its competitors.

- ***Technology Investment.*** Espresso has commenced a significant investment program focused on enabling it to further enhance its ability to deliver fast, fairly priced and user-friendly risk capital and further improve its competitive positioning. Key initiatives include enabling customer self-service, algorithmic credit scoring, and automated loan monitoring and servicing.

Overview of Financing Solutions

Espresso's funding solutions are designed to meet the needs of a market segment that, based on its experience, is highly underserved. Specifically, Espresso provides working capital, sales expansion and bridge financing solutions for technology small businesses ranging in size from $250,000 to $3 million with loan terms generally ranging from six to thirty-six month terms. Loans will typically be subject to fixed rate monthly interest payments, plus fees, and occasionally royalties or warrants, set to ensure Espresso meets its minimum threshold returns. Loans are collateralized by a security interest in the borrower's assets including tax credit claims and other government incentives, accounts receivables and other assets, although Espresso may not always have a first priority security interest on such assets.

Loans are highly standardized and will typically take one of the following forms:

(a) ***Tax Credit and Government Incentive Financing***. Loans to finance current and future tax credit and other government incentive receivables.

(b) ***Recurring Revenue Financing.*** Loans to support sales expansion investments of Software-as-a-Service (SaaS) companies and other businesses with high-margin, recurring revenue models.

(c) ***Working Capital Financing.*** Loans to finance high quality receivables and other working capital assets.

Investment Criteria

In making its determination as to whether to enter into a Loan with a particular borrower, Espresso uses its diligence processes to review the credit worthiness of the borrower based on Espresso's proprietary credit models. Espresso believes its proprietary credit models, based on over 6 years of loan performance data, and supported by advanced analytics, enable Espresso to quickly and accurately assess and underwrite technology small business credit. Espresso's risk scoring methodology and credit models take into account a variety of factors depending on loan type, including but not limited to:

(a) a company's prior history of successful tax credit claims;

(b) capital structure, cash flow profile and/or enterprise value coverage to support loan recovery in the event of a shortfall in the amount of tax credit refund(s);

(c) the company's financial profile, including revenue, revenue growth rates, revenue composition (recurring vs non-recurring), gross margin, and general cash flow profile;

(d) the company's customer base and customer economics, including diversification and, where applicable, customer lifetime value, factoring customer acquisition costs, turnover rates, and ability to generate customer expansion revenue;

(e) the existence of good quality receivables and other current assets to support loan amounts; and

(f) company management's track record and demonstrated commitment to continuous business growth, development and improvement.

MATERIAL AGREEMENTS

The following agreements can reasonably be regarded as material to purchasers of Units:

(a) Declaration of Trust (as described under "Business of the Fund" and "Interests of Management and Principal Holders of the Fund"); and

(b) Limited Partnership Agreement (as defined under "Business of the Fund" and "Interests of Directors, Management and Principal Holders of Espresso LP").

INTERESTS OF MANAGEMENT AND PRINCIPAL HOLDERS OF THE FUND AND ESPRESSO LP

Compensation and Securities Held

The following table provides information about each director and officer of Espresso Capital Ltd., the general partner of the Manager:

Name and municipality of principal residence	Positions held and date of obtaining that position	Compensation anticipated to be paid in the current financial year	Fund and/or LP Units beneficially held after completion of minimum offering[(1)(2)]	Fund and/or LP Units beneficially held after completion of maximum offering[(1)(2)]
Alkarim Jivraj Toronto, Ontario	Chief Executive Officer and Director November 2014	NIL	NIL	350,000
Enio Lazzer Toronto, Ontario	Chief Operating Officer, Chief Financial Officer and Director August 2015	NIL	NIL	250,000
Gary Yurkovich Vancouver, British Columbia	Chairman of the Board and Director August 2015	NIL	NIL	800,000
Brice Scheschuk Toronto, Ontario	Director August 2015	NIL	NIL	NIL
Fred Welter Victoria, British Columbia	Director August 2015	NIL	NIL	NIL

Name and municipality of principal residence	Positions held and date of obtaining that position	Compensation anticipated to be paid in the current financial year	Fund and/or LP Units beneficially held after completion of minimum offering[(1)(2)]	Fund and/or LP Units beneficially held after completion of maximum offering[(1)(2)]
Chris Hill Vancouver, British Columbia	Chairman of Credit Committee August 2015	NIL	NIL	200,000
Will Hutchins Toronto, Ontario	Managing Director August 2015	NIL	NIL	250,000

Notes:
(1) All directors and officers may purchase Units pursuant to the Offering. The investment amounts noted in the table above are estimates only.
(2) "LP Units" includes LP A Units, LP F Units and Class I units of Espresso LP.

Management Experience

Espresso Trust LP (the "Manager") will act as the trustee and manager of the Fund and will provide or cause to be provided all administrative services required by the Fund. The Manager is a limited partnership established under the laws of the Province of Ontario. The Manager's head office is located at 322 King Street West, Suite 403, Toronto, Ontario, M5V 1J2. The general partner of the Manager is Espresso.

The Fund has retained the Manager to manage and administer the day-to-day business and affairs of the Fund. The Manager is responsible for providing managerial, administrative and compliance services to the Fund pursuant to the Declaration of Trust, including, without limitation, acquiring or arranging to acquire units of Espresso LP, calculating the net asset value of the Fund and net asset value per Unit of the Fund, net income and net realized capital gains of the Fund, authorizing the payment of operating expenses incurred on behalf of the Fund, preparing financial statements and financial and accounting information as required by the Fund, ensuring that Unitholders are provided with financial statements and other reports as are required by applicable law from time to time, ensuring that the Fund complies with regulatory requirements, preparing the Fund's reports to Unitholders, determining the amount of distributions to be made by the Fund and negotiating contractual agreements with third-party providers of services, including the auditor of the Fund. The Manager may from time to time employ or retain any other person or entity to perform, or to assist the Manager in the performance of management services to all or any portion of the Fund's assets and in performing other duties of the Manager as set out in the Declaration of Trust.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Unitholders and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent trustee and manager would exercise in similar circumstances.

The Manager may resign as trustee and/or manager of the Fund upon at least 30 days' notice to Unitholders. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager or a trust company or trust corporation under the laws of Canada or a province thereof, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Declaration of Trust and such default has not been cured within 30 days after notice of the same has been given to the Manager, the Unitholders may remove the Manager and appoint a successor manager and/or trustee.

In addition, the general partner of the Manager and its affiliates and each of their directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against any of them in the exercise of the Manager's duties under the Declaration of Trust, if they do not result from the Manager's wilful misconduct, bad faith, gross negligence or breach of its obligations thereunder.

The services of the Manager are not exclusive and nothing in the Declaration of Trust or any agreement prevents the Manager from providing similar services to other funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other business activities.

The name, principal occupation and related experience of officers and directors of the Manager is as follows:

Gary Yurkovich - *Chairman of Espresso Capital Ltd.*

Gary Yurkovich is a seasoned technology executive, investor and board member with 30 years of experience helping innovative companies succeed. He has held key management roles including CEO, COO, Vice President Sales and Marketing and Vice President Corporate Development for companies that were subsequently acquired by Kodak Company, WellPoint, TELUS Corporation and Dolby Labs. Mr. Yurkovich currently sits on the board of several Canadian technology companies and foundations.

Alkarim Jivraj - *President and Chief Executive Officer of Espresso Capital Ltd.*

Alkarim Jivraj has over 20 years of experience in the finance industry. Mr. Jivraj has helped raise over $1 billion for more than 100 early stage and growing technology companies, and has made over 50 equity and debt investments as principal investor. Mr. Jivraj joined Espresso in January 2013 as a Managing Partner. In August 2015, Mr. Jivraj led a management buyout of Espresso, becoming CEO and majority shareholder. Prior to joining Espresso, Mr. Jivraj was the Founder and Managing Partner of Intrepid Equity Partners Inc. from January 2004 to January 2013, and Intrepid Business Acceleration Fund Limited Partnership from November 2007 to October 2015. Mr. Alkarim started his finance career at Yorkton Securities, a boutique investment banking firm, eventually leading its Information Technology investment banking practice and co-managing two investment funds. He sits on the Board of SCI Marketview Inc.

Enio Lazzer - *Chief Operating Officer and Chief Financial Officer of Espresso Capital Ltd.*

Enio Lazzer is a finance executive with over 20 years of experience in finance, investment banking, capital markets, operations and technology and has extensive experience in developing and executing strategic business plans and building core business operations and platforms. Mr. Lazzer was a Partner at Brightiron Inc. from March 2011 to August 2014 and was the Managing Director of CIBC World Markets from September 2001 to June 2010. Mr. Lazzer's previous experience includes various roles as divisional Chief Financial Officer, Chief Operating Officer and Managing Director within CIBC World Markets, where he also served as Head of its Prime Brokerage business. He also previously served as Vice President and Chief Financial Officer of The Northern Trust Company, Canada where he was part of an executive management team that established the first foreign owned trust company in Canada and successfully grew it to over $40 billion of assets under management.

Will Hutchins - *Managing Director of Espresso Capital Ltd.*

Will Hutchins is a finance executive with over 15 years of experience in corporate finance. Mr. Hutchins was formerly Director, Investment Banking at TD Securities Inc. where he worked from January 2005 to March 2015 advising clients in the technology, media and communications sectors on debt and equity financings, M&A transactions and corporate strategy. Prior to TD, he practiced law in the corporate finance and M&A departments of Stikeman Elliott LLP in Toronto, Ontario and Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York, New York.

Harry Pokrandt - *Managing Director of Espresso Capital Ltd.*

Harry Pokrandt has over 30 years of experience in the finance industry. Mr. Pokrandt served as Managing Director of Macquarie Capital Markets Canada from December 2007 to August 2015. He led Macquarie's Metals and Mining Investment Banking group in its Vancouver office. He was previously involved with the resource-focused investment bank boutiques Orion Securities Inc. and Yorkton Securities where he worked in Institutional Sales for over 20 years in both Toronto and Vancouver. He has worked on numerous financing and advisory assignments in the metals and mining sector. Mr. Pokrandt was on the President's Council for the International Crisis Group. He is a director of the National Investment Banking Competition & Conference.

Chris Hill - *Chairman of the Credit Committee of Espresso Capital Ltd.*

Chris Hill is a veteran CFO with over 20 years of experience in finance and operations for both large public and private venture backed technology companies. Mr. Hill was formerly COO and CFO at Resolution Health from its inception to its sale to NYSE-listed WellPoint. He currently sits on the board of directors of Engine Digital.

Brice Scheschuk - *Director*

Brice Scheschuk is a Chartered Professional Accountant, Chartered Accountant (CPA, CA) and is the Chief Executive Officer of Globalive Capital and Globalive Communications, Chief Financial Officer of Pragmatic Solutions and co-founder and former Chief Financial Officer of WIND Mobile. He has 20 years of experience building and operating companies and has led the capital raising and due diligence efforts at WIND Mobile and Globalive Communications. Mr. Scheschuk obtained his CA designation at Coopers & Lybrand (now PricewaterhouseCoopers LLP). His current and past board and advisory positions include WIND Mobile, Globalive Communications, Pragmatic Solutions, Cranson Capital, iLookabout (TSX: ILA), Samba Connect, SceneDoc, Transgaming (TSX: TNG), Varicent Software and Web Host Industry Review.

Fred Welter - *Director*

Fred Welter is the President of NWG Assets Ltd. and the former President & Chief Executive Officer of North West Geomatics Ltd. ("North West"). Fred Welter established North West Geomatics Ltd. in 1988, growing it into a pre-eminent North American aerial photography company. Under Mr. Welter's leadership, North West successfully undertook the transition from film to digital technology, to becoming a global leader in the areas of digital imagery acquisition, imagery processing and cloud storage and distribution. He has led major aerial photography projects for clients in North America and around the world, including Honduras, Costa Rica, Venezuela, Colombia, Peru, Thailand, India, Saudi Arabia, Kuwait and Zimbabwe. Mr. Welter sold his interest in North West to Hexagon AB in 2013 and is presently semi-retired.

Track Record of Espresso

Since inception on November 1, 2009, Espresso through its prior funds, Espresso Capital SRED I Limited Partnership ("Fund I"), Espresso Capital Partners Tax Credit Fund II Limited Partnership ("Fund II"), Espresso Capital Partners Tax Credit Fund III Limited Partnership ("Fund III"), Espresso Capital Partners Investment Fund IV Limited Partnership ("Fund IV") has delivered in aggregate a normalized internal rate return ("IRR") to investors of approximately 12.2%.

	Fund I	Fund II	Fund III	Fund IV	Total
Inception Date	Nov'09	Nov'11	Feb'13	Feb'13	
Transaction Value	$17.7M	$18.2M	$66.1M	$15.2M	$117.2M
Current Loan Book	$0M	$236K	$18.0M	$8.6M	$26.8M
Normalized IRR	16.9%	11.3%	11.3%	11.0%	12.2%

Note:

(1) As at December 31, 2015. Derived from audited and unaudited results. IRR is calculated after deducting all operating fees, operating expenses, performance fees (carried interest)and normalizing compensation to the fund manager across the funds. **The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future normalized IRR (internal rate of return).** IRR is not equivalent to annual cash yield. The calculation of IRR takes into account the timing of the distributions.

CAPITAL STRUCTURE

Share Capital

The following table provides information regarding the Fund's capitalization as at January 1, 2016, both before and after giving effect to the Offering:

Description of security	Number authorized to be issued	Price per security[(1)]	Number outstanding as at January 1, 2016	Number outstanding after minimum offering	Number outstanding after maximum offering
Class A Units	Unlimited	$1.00	1	0	30,000,000
Class F Units	Unlimited	$1.00	0	0	0

SECURITIES OFFERED

The Units

The following is a summary only of the material attributes and characteristics of the Units.

The Fund is authorized to issue an unlimited number of redeemable, transferable units of an unlimited number of classes of units, each of which represents an equal, undivided interest in the net assets of the Fund.

The Fund is divided into multiple classes of units. Class A Units are available to all eligible investors and are Canadian dollar denominated. Class F Units are available to investors who have a fee based account with their dealer and are Canadian dollar denominated.

The Units of the Fund have equal rights and privileges. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund to Unitholders, including distributions of net income and net realized capital gains and distributions upon the termination of the Fund. Units are issued only as fully-paid and are non-assessable.

All holders of Units are entitled to participate pro rata: (i) in any payments or distributions (other than distributions paid to redeeming Unitholders) made by the Fund; and (ii) upon liquidation of the Fund, in any distributions to Unitholders of net assets of the Fund remaining after satisfaction of outstanding liabilities. Units are not transferable, except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Manager.

The Fund may issue fractional Units so that subscription funds may be fully invested. Fractional Units carry the same rights and are subject to the same conditions as whole Units (other than with respect to voting rights) in the proportion which they bear to a whole Unit.

Units are valued in accordance with the method set out in the Declaration of Trust. See "Securities Offered – The Units – Valuation of Units".

Distributions

The Fund intends to pay (a) monthly cash distributions no later than the 15th day following the last day of each month in an amount equal to one-twelfth of 8% of the initial subscription price per Unit, as well as (b) an annual distribution in an amount of up to 2% of the initial subscription price per Unit for any given calendar year, prorated monthly for the number of months the Unitholder holds the Units, less such amounts at the Manager's discretion, needed to maintain the value of the Fund's assets or investments, implement the Fund's current investment plan or to otherwise fund the Fund's ongoing operations. The annual distribution will be paid no later than March 31 of the following year. Distributions payable to Unitholders shall not exceed (and may be less than) 10% of the initial subscription price per Unit in any calendar year. All distributions (other than distributions paid to redeeming Unitholders) will be made on a pro rata basis to each registered Unitholder determined as of the close of business on the applicable distribution record date. After Unitholders have received distributions in a year in an amount up to 10% of the initial subscription price per Unit, the Manager shall be entitled to receive and shall be paid all revenues of the Fund in excess of 10% of the initial subscription price per Unit.

The distribution can be expected to vary from year to year based on variations in the net asset value of the Fund. There can be no assurance that the Fund will be able to make distributions at its targeted rate. The distribution policy of the Fund, including the targeted distribution rate, will be reviewed by the Manager on an annual basis. In certain circumstances, the Fund may declare and pay a special distribution.

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund may pay or make payable one or more special distributions (each a "Special Distribution"), in cash or reinvested in additional Units, as is necessary to ensure that the Fund will not be liable for income tax (other than any refundable taxes) under the Tax Act on the last day of that year to Unitholders of record on that date. The Special Distribution may be necessary where the Fund realizes income for tax purposes which is in excess of any distributions paid or made payable to Unitholders during the year and the net realized capital gains of the Fund, the tax on which would be recovered by the Fund in the year by reason of the capital gains refund provisions of the Tax Act. The Fund may make a Special Distribution, in whole or in part, through the issuance of Units having a value equal to such Special Distribution or part thereof. Immediately following any such Special Distribution, the number of Units outstanding will automatically be consolidated such that the number of Units outstanding after the Special Distribution will be equal to the number of Units outstanding immediately prior to the Special Distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. Any such Special Distribution and consolidation will increase the aggregate adjusted cost base of Units to Unitholders. See "Income Tax Consequences and RRSP Eligibility".

Redemptions

Units may be redeemed quarterly on the last business day of March, June, September and December of each year (each a "Quarterly Redemption Date"). In order to effect such a redemption, the Units must be surrendered on or before the first business day of the last month in the applicable quarter. Units surrendered after the first business day of the last month in the applicable quarter will be redeemed on the next succeeding Quarterly Redemption Date.

Redemptions of Units in any calendar quarter shall be limited to an aggregate number not exceeding 5% of the number of Class A Units or Class F Units outstanding at the end of the previous calendar quarter.

No later than 90 days after the applicable Quarterly Redemption Date, the Fund will pay to the redeeming Unitholder, in respect of each Unit redeemed, an amount (the "Redemption Price") equal to the net asset value per Unit as at the applicable Quarterly Redemption Date, less (a) any unrealized income, as at the Quarterly Redemption Date, attributable to the Units being redeemed and (b) a redemption fee attributable to the Units being redeemed equal to 5% of the subscription price for the Units of the Fund being redeemed in the event a Unitholder redeems its Units before the first anniversary of the date of issue of such Units. No redemption fees will apply to a redemption of Units following the first anniversary of the date of issue of such Units, provided the Manager may in its sole discretion satisfy the Redemption Price on a redemption of Units by way of a distribution in specie of Loans and/or LP A Units and/or LP F Units, as applicable, of Espresso LP owned or received by the Fund with a value equal to the redemption price for such Units.

A Redemption Notice shall be irrevocable and shall contain a clear request by the Unitholder that a specified number of Units be redeemed or stipulate the dollar amount which the Unitholder requires to be paid. A Unitholder's signature on a Redemption Notice shall be guaranteed by a Canadian chartered bank, a trust company or a registered broker or securities dealer acceptable to the Manager. Redemption Notices will be accepted in the order in which they are received.

The rights attached to the Units may only be modified, amended or varied in accordance with the terms of the Declaration of Trust.

Loans and/or LP A Units and/or LP F Units of Espresso LP, as the case may be, which may be distributed to unitholders in specie in connection with a redemption may not be listed on any stock exchange, no market is expected to develop and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. The Loans and/or LP A Units and/or LP F Units so distributed may not be qualified investments for Registered Plans (defined below) depending upon the circumstances at the time. Unitholders should consult their own tax advisors to determine whether such property received in satisfaction of such redemption would be prohibited investments for trusts governed by registered retirement savings plans, registered retirement income funds and tax-free savings accounts (collectively, "Registered Plans").

Mandatory Redemption

The Manager may in its discretion cause the Fund to redeem all or a portion of a Unitholder's Units by giving 30 days' prior written notice to the Unitholder, specifying the number of Units to be redeemed. In addition, the Manager may cause the Fund to redeem Units owned by a person or partnership that is a "designated beneficiary" without notice if the continued ownership of Units by such person or partnership could have adverse tax consequences to the Fund.

Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds for any period during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or Espresso LP or which impair the ability of the Manager to determine the value of the assets of the Fund or Espresso LP. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date (as defined herein) following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption.

Distribution Reinvestment Plan

The Fund will adopt a reinvestment plan which will provide that a holder of Units may elect to reinvest all distributions paid on the Units held by such holder in additional Units. Holders of Units who wish to reinvest the distributions paid on their Units as of a particular distribution date should speak with their dealer for details.

Valuation of Units

The net asset value of the Fund and net asset value per Unit of each class of the Fund will be calculated by the Manager in accordance with the terms of the Declaration of Trust, once a month as of the last business day of each calendar month, or more frequently in the discretion of the Manager, at the close of regular trading on the Toronto Stock Exchange, normally 4:00 p.m. (Eastern time) and on December 31 of each year (each, a "Valuation Date"). The net asset value of each class of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund attributable to each such class of units, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date and the value of the liabilities of the Fund for expenses and taxes. The net asset value per Unit will be obtained by dividing the net asset value of the class on such Valuation Date by the number of Units of the class then outstanding.

The net asset value of the Fund and net asset value per Unit will be determined in accordance with the principles established by the Manager as set out in the Declaration of Trust.

The net proceeds of the Offering will be used to acquire LP A Units and LP F Units of Espresso LP. The net proceeds of the offering of units of Espresso LP will be used together with any borrowings to fund Loans originated by Espresso as described under "Business of the Fund – Our Business – Investment Objectives" and "Business of the Fund – Our Business – Investment Strategies".

The Offering

The Fund is offering Units on a private placement basis (the "Offering").

This Offering is being made pursuant to exemptions from the prospectus requirements of applicable securities laws in each of the provinces and territories of Canada. Prospective investors must be (a) an "accredited investor" as defined under applicable securities laws, (b) an "eligible investor" as defined under applicable securities laws or (c) a resident of British Columbia, New Brunswick, Nova Scotia or Newfoundland and Labrador. Accordingly, there will be restrictions on the resale or transfer of the Units. See "Certain Canadian Securities Law Matters", "Resale Restrictions" and "Risk Factors" for further details.

The minimum initial subscription amount for Units is $10,000 (or such lesser amount as may be agreed to by the Manager, in its sole discretion).

Subscriptions for units of the Fund are subject to acceptance by the Manager and may be accepted in whole or in part.

Subscription Procedure

An investor who wishes to subscribe for Units must:

(a) complete and execute the subscription form that accompanies this Confidential Offering Memorandum, including all applicable schedules thereto;

(b) pay the subscription price for the Units in accordance with the instructions set out in the Subscription Agreement. The subscription price for Units is $1.00 per Unit if such Units are purchased on February 29, 2016, the initial closing date (in addition to any subsequent closing date, each, a "Closing Date"). An investor subscribing for Units after the initial Closing Date, including an existing holder of Units, shall pay to the Fund on the date of closing of such subscription an amount per Unit equal to the sum of (a) the most recently calculated net asset value per Unit and (b) any costs or expenses incurred by the Fund in connection with the issuance of such Units; and

(c) complete and execute any other documents deemed necessary by the Manager to comply with applicable securities laws.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books for the Units at any time without notice. It is intended that the initial Closing Date in respect of the Offering will take place on or about February 29, 2016 or such other date as the Fund and the Agents may agree. The Fund may accept subscriptions for additional Units on such other date as the Fund may agree at a purchase price equal to the net asset value of the Units at such time.

Until such time as closing has occurred in respect of the Offering, all subscription funds received by the Agents will be held in trust (for greater certainty all subscription funds will be held in trust for a period of at least two business day prior to the closing of the Offering), pending closing of the Offering.

Eligible Unitholders

Units of the Fund will only be offered to persons or entities which may purchase securities, under applicable securities laws, without the benefit of a prospectus qualified under such securities laws.

No Certificates

Generally, the Fund will not issue Unit certificates but may do so in the discretion of the Manager. However, on any purchase, redemption or transfer of Units, the Manager shall issue confirmation slips indicating the nature of the transaction effected by the Unitholder and the number of Units held by such Unitholder after such transaction. Unit certificates, if issued, shall be in such form as the Manager may from time to time approve.

DESCRIPTION OF ESPRESSO LP

Espresso Fund V LP is a limited partnership formed under the laws of the Province of Ontario pursuant to the Limited Partnership Agreement. The general partner of Espresso LP is Espresso Capital Fund V GP Inc., which is a wholly-owned subsidiary of Espresso. The General Partner has an uncertificated 0.001% partnership interest in Espresso LP. The General Partner is authorized to create and issue units of Espresso LP. The designations, rights, privileges, restrictions and other terms and conditions attaching to such each class of units of Espresso LP will be determined by the General Partner at the time the applicable units are created and issued, provided that each class of units of Espresso LP shall rank pari passu with any other class of units of Espresso LP, each class of units of Espresso LP shall be entitled to receive distributions; and holders of units of each class of Espresso LP shall be entitled to vote at any meeting of Limited Partners (unless the circumstances are such that one class of units of Espresso LP is affected differently in which case the holders of each class of units of Espresso LP will vote separately as a class).

Operation

The business and affairs of Espresso LP are managed and controlled by the General Partner and the General Partner makes all decisions regarding the business and activities of Espresso LP, provided that the General Partner is bound by the investment guidelines of Espresso LP.

Fees and Expenses

The General Partner is entitled to a monthly management fee (the "LP Management Fee") equal to 25% of the Gross Revenue (as defined below) earned by Espresso LP in respect of the LP A Units and LP F Units for its services as general partner of Espresso LP. Fees payable to the General Partner will be calculated and payable monthly, in arrears, plus applicable taxes. "Gross Revenue" includes all revenue derived from interest income, fees and any capital gains received by Espresso LP as a result of its investments.

If Espresso LP generates a return on investment in respect of the Limited Partnership Units (after payment of all other fees and expenses) which exceeds the Threshold Amount (as defined below) in any given calendar quarter, the General Partner will receive a performance fee in respect of the Limited Partnership Units (the "Performance Fee"), which shall accrue monthly and be payable on the last business day of each fiscal year, equal to all of the net income attributable to LP A Units and LP F Units in excess of 10% of the initial subscription price per Unit, provided that Unitholders have first received distributions for such year of at least 10% on the initial subscription price per Limited Partnership Unit (the "Threshold Amount").

Espresso LP will reimburse the General Partner for all expenses incurred by the General Partner in the performance of its duties as general partner of Espresso LP. The Fund, as limited partner, will not be entitled to take part in the management or control of the business or affairs of Espresso LP in a manner that would jeopardize its status as a limited partner of Espresso LP and the General Partner will operate and carry on the business of Espresso LP in a manner to ensure, to the greatest extent possible, the limited liability of the Fund as limited partner. However, the Fund may lose its limited liability in certain circumstances. If the limited liability of the Fund is lost by reason of the gross negligence of the General Partner in performing its duties and obligations under the Limited Partnership Agreement, the General Partner will indemnify the Fund against all claims arising from assertions that its liabilities are not limited as intended by the Limited Partnership Agreement.

Distributions

The following outlines the distribution policy of Espresso LP to be contained in the Limited Partnership Agreement, but is not intended to be a complete description. Investors should refer to the Limited Partnership Agreement for the full text of the distribution policy. Espresso LP intends to pay monthly cash distributions no later than the 15th day following the last day of each month in an amount equal to one-twelfth of 8% of the initial subscription price per Limited Partnership Unit as well as an annual distribution to be declared payable no later than the last business day of December in each year. The annual distribution will be paid no later than March 31 of the following year and is expected to consist of any excess distributable net income less, in the General Partner's discretion, such amounts needed to maintain the value of Espresso LP's assets or investments, implement Espresso LP's current investment plan or to otherwise fund Espresso LP's ongoing operations. All distributions (other than distributions paid to redeeming unitholders) will be made on a pro rata basis to each registered unitholder determined as of the close of business on the applicable distribution record date.

Distributions to the Fund by Espresso LP will be determined by the General Partner having regard to, among other things, the interest income and other income earned on the Loans held by Espresso LP, net of interest expense, general and administrative expenses, other corporate and servicing costs, taxes, working capital and reserves and any LP Management Fees or Performance Fees payable to the General Partner. These

distributions will be dependent upon a number of factors, including restrictions under applicable law, the actual results of operations and investments in the Loans held by Espresso LP, economic conditions, debt service requirements and other factors that could differ materially from our expectations. The actual results of operations of Espresso LP will be affected by a number of factors, including the income received by Espresso LP, its operating expenses and interest expense. See "Risk Factors".

Notwithstanding the anticipated distribution policy of Espresso LP, the General Partner will retain full discretion with respect to the timing, amount and nature of distributions made by Espresso LP. The payment of distributions by Espresso LP is therefore not guaranteed.

Redemptions

Limited Partnership Units may be redeemed by Unitholders at any time on the last business day of March, June, September and December of each year (each, a "Quarterly Redemption Date"). Unitholders must provide written notice to the General Partner by 9:00 a.m. (Toronto time) on the first business day of the last month immediately preceding the relevant Quarterly Redemption Date. If a redemption request is received later than 9:00 a.m. on that day or such later time as the General Partner may permit the redemption request shall be deemed to be received for the next Quarterly Redemption Date. Limited Partnership Units so redeemed will be redeemed at a redemption price equal to the net asset value per LP A Units or LP F Units, as applicable, on the Quarterly Redemption Date, less (i) any unrealized income, as at the Quarterly Redemption Date, attributable to the units being redeemed and (ii) any costs and expenses associated with the redemption of the units being redeemed.

Redemptions are limited to an aggregate of not more than 5% of the number of LP A Units or LP F Units in any given calendar quarter.

Allocation of Partnership Net Income

The Partnership Net Income (defined below) will be allocated at the end of each fiscal year, first as to an amount necessary to account for expenses incurred by Espresso LP as determined by the General Partner and then any residual amount among the holders of units of Espresso LP based on their proportionate share of distributions received or receivable for such fiscal year. "Partnership Net Income" means the amount of net income (or loss) of Espresso LP before income taxes computed in accordance with generally accepted accounting principles, adjusted to exclude all fair value adjustments to the carrying-value of assets and liabilities and to include realized capital gains and losses on the disposition of assets, computed with reference to the historical cost of the assets disposed of and any LP Management Fees payable to the General Partner.

Valuation of Limited Partnership Units

The net asset value of Espresso LP and net asset value per unit of each class of Espresso LP will be calculated by the General Partner in accordance with the terms of the Limited Partnership Agreement, once a month as of the last business day of each calendar month, or more frequently in the discretion of the General Partner, at the close of regular trading on the Toronto Stock Exchange, normally 4:00 p.m. (Eastern time) and on December 31 of each year (each, an "LP Valuation Date"). The net asset value of each class of Espresso LP on a particular date will be equal to the aggregate value of the assets of Espresso LP attributable to such each class of units, including any income, net realized capital gains or other amounts payable to unitholders on or before such date and the value of the liabilities of Espresso LP for LP Management Fees expenses and taxes. The net asset value per unit of Espresso LP is obtained by dividing the net asset value of the class on such LP Valuation Date by the number of units of the class of Espresso LP then outstanding.

The net asset value of Espresso LP and net asset value per unit of Espresso LP are determined in accordance with the principles established by the General Partner as set out in the Limited Partnership Agreement.

Amendments to the Limited Partnership Agreement

The Limited Partnership Agreement may be amended with the prior consent of the holders of at least 66⅔% of units of Espresso LP voted on the amendment at a duly constituted meeting of holders of units of Espresso LP or by a written resolution of partners holding more than 66⅔% of the units of Espresso LP entitled to vote at a duly constituted meeting of holders of units of Espresso LP, including: (a) changing the liability of any limited partner; and (b) changing the right of a limited partner to vote at any meeting of holders of units of Espresso LP. The General Partner may also make amendments to the Limited Partnership Agreement without the approval or consent of the limited partners to reflect, among other things: (a) a change in the name of Espresso LP or the location of the principal place of business or registered office of Espresso LP; (b) the admission, substitution, withdrawal or removal of limited partners in accordance with the Limited Partnership Agreement; (c) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of Espresso LP as a limited partnership in which the limited partners have limited liability under applicable laws; (d) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to enable Espresso LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (e) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Limited Partnership Agreement which may be defective or inconsistent with any other provision contained in the Limited Partnership Agreement. Notwithstanding the foregoing: (i) no amendment which would adversely affect the rights and obligations of the General Partner, as a general partner, may be made without the consent of the General Partner; and (ii) no amendment which would adversely affect the rights and obligations of any other holders of units of Espresso LP or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class. The General Partner may also amend the Limited Partnership Agreement to add additional classes of units with a management fee which is higher or lower than the management fee in respect of the LP A Units or LP F Units.

In addition, the Declaration of Trust will provide that the Fund will not agree to or approve any material amendment to the Limited Partnership Agreement (including any amendment to the investment guidelines of Espresso LP) without the approval of greater than 50% of the votes cast at a meeting of unitholders called for such purpose (or by written resolution in lieu thereof).

Removal of General Partner

The Limited Partnership Agreement provides that the General Partner will be deemed to resign as general partner upon: (a) ceasing to be a Canadian resident within the meaning of the Tax Act; (b) filing a voluntary petition for bankruptcy; (c) the appointment of a trustee, receiver or liquidator in respect of the General Partner; (d) having entered against it an order for relief in a bankruptcy or insolvency proceeding which is not stayed, vacated or dismissed within 120 days; (e) being involuntarily dissolved, liquidated or wound up; or (f) the commencement of any act or proceeding in connection with dissolution, liquidation or winding up, whether voluntary or involuntary, and which, if involuntary, is not contested in good faith by the General Partner. Such deemed resignation shall not be effective until the earlier of the date of appointment of a new general partner by majority vote of the limited partners or 120 days after the occurrence of such event, except a deemed resignation arising as a result of (a), above, which shall be effective immediately before the General Partner ceased to be a resident of Canada. The General Partner is permitted to resign as general partner, or to transfer its interest in Espresso LP, only on 45 days' prior written notice to Espresso LP and the limited partners, provided that any resignation by the General Partner will only be effective following the appointment of a replacement general partner.

The General Partner may be removed and replaced with another person as general partner of Espresso LP with the prior consent of the holders of at least 66⅔% of the units of Espresso LP voted on the amendment at a duly constituted meeting of holders of units of Espresso LP or by a written resolution of partners holding more than 66⅔% of units of Espresso LP entitled to vote at a duly constituted meeting of holders of units of Espresso LP, as a result of the General Partner's fraud, wilful misconduct, breach of its fiduciary duties or for wilful breach of the Limited Partnership Agreement that, in each case, results in material harm to Espresso LP.

INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

Prospective purchasers should consult with their own professional advisers to obtain advice on the income tax consequences that apply to their particular circumstances.

The following is a general summary of the principal Canadian federal income tax consequences to a prospective Unitholder of the acquisition, holding and disposition of Units acquired pursuant to this Confidential Offering Memorandum. It is assumed for the purposes of this summary that: (i) the Unitholder is an individual (other than a trust) that is a resident of Canada for purposes of the Tax Act; (ii) the Unitholder is the original purchaser and beneficial owner of the Units; (iii) the Unitholder deals at arm's length with the Fund and the Manager; and (iv) the Unitholder holds the Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that such Unitholder does not hold its Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and all subsequent taxation years, deemed to be capital property. Such Unitholders should consult their own tax advisers regarding their particular circumstances.

This summary is also based on the assumptions that: (i) none of the issuers of securities held by the Fund will be a foreign affiliate of either the Fund or any Unitholder; (ii) none of the securities held by the Fund will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; (iii) none of the securities held by the Fund will be an interest in a non-resident trust other than an "exempt foreign trust" as defined for purposes of the Tax Act; (iv) none of the securities held by the Fund will be an interest in a non-resident trust that is deemed to be a controlled foreign affiliate of the Fund for the purposes of the Tax Act; and (v) the Fund will not enter into any arrangement where the result is a dividend rental arrangement for the purposes of the Tax Act. In addition, a person or partnership, an interest in which is a "tax shelter investment", if acquired, would be a "tax shelter investment", as that term is defined in the Tax Act and this summary is not applicable to such a person or partnership.

Under certain provisions of the Tax Act, trusts or partnerships (defined as "SIFT trusts" and "SIFT partnerships", respectively) the securities of which are listed or traded on a stock exchange or other public market, and that hold one or more "non-portfolio properties" (as defined), are effectively taxed on income and taxable capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. Distributions of such income received by unitholders of SIFT trusts and allocations of such income made to members of SIFT partnerships are treated as eligible dividends from a taxable Canadian corporation.

This summary is based on the assumption that "investments" (as defined in the Tax Act) in the Fund are not, and will not be, listed or traded on a stock exchange or any other trading system or other organized facility. If this assumption is not correct, the Fund could be a "SIFT trust" for purposes of the Tax Act for purposes of the Tax Act, and the consequences to the Fund and the Unitholders under the Tax Act could be materially different from those described below.

The following summaries of the principal Canadian federal income tax consequences to a prospective Unitholder of Units in the Fund are based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act or the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and the current published administrative practices of the Canada Revenue Agency ("CRA"). These summaries do not otherwise take into account or anticipate any changes in law, whether by judicial, administrative or legislative decision or action, nor do they take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from those described therein.

The summaries are not exhaustive of all possible Canadian federal tax considerations applicable therein and are not intended to constitute legal or tax advice. The income and other tax consequences will vary depending on the Unitholder's particular circumstances, including the province(s) or territory(ies) in which the Unitholder resides or carries on business. Accordingly, prospective Unitholders should consult their own tax advisors about their individual circumstances.

Canadian Federal Income Tax Considerations applicable to Unitholders of the Fund

This summary is based on the assumption that the Fund will qualify as a "mutual fund trust" for purposes of the Tax Act before the 91st day after the end of its first taxation year, that the Fund will elect under subsection 132(6.1) of the Tax Act in its income tax return for its first taxation year to be deemed to have been a mutual fund trust from its inception, and that the Fund will continue to qualify as a mutual fund trust at all relevant times. In order to qualify as a mutual fund trust, among other things, the Fund must restrict its undertaking to investing its funds in property, it must qualify as a "unit trust" and it must comply on a continuous basis with certain minimum distribution requirements relating to the Units. The trustee expects that the Fund will qualify as a mutual fund trust under the Tax Act at all relevant times. If the Fund does not qualify as a mutual fund trust at all relevant times, the income tax considerations could be materially different from those described below.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund is subject to tax under the Tax Act on its income for the year, including net realized taxable capital gains, computed in accordance with the detailed provisions of the Tax Act, less any portion thereof that it deducts in respect of amounts paid or payable in the year to Unitholders. It is the Fund's intention to distribute to Unitholders in each year its net income and net realized capital gains (net of realized capital losses, if any), taking into account any entitlement to capital gains refunds, to such an extent that the Fund will not be liable in any year for income tax under Part I of the Tax Act.

In determining the income of the Fund, gains or losses realized upon dispositions of securities in the Fund's portfolio will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on an investment business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund will purchase securities for its portfolio with the objective of earning distributions thereon over the life of the Fund and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

The Fund is required to compute its income and gains for tax purposes in Canadian dollars. Therefore, the amount of income, cost, proceeds of disposition and other amounts in respect of investments that are not Canadian dollar denominated will be affected by fluctuations in the exchange rate of the Canadian dollar against the relevant foreign currency.

In computing its income for purposes of the Tax Act, the Fund may deduct reasonable administrative costs and other expenses incurred by it for the purpose of earning income, including interest on any loan facility entered into by the Fund generally to the extent borrowed funds are used to purchase portfolio securities. The Fund may not deduct interest on any loan facility entered into by the Fund to the extent that borrowed funds are used to fund redemptions.

In the event the Fund is otherwise liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the "Capital Gains Refund"). Where the Capital Gains Refund in a particular taxation year does not offset the Fund's tax liability for such taxation year arising as a result of the redemption of Units, any capital gains realized by the Fund as a result of such redemption will be allocated to Unitholders, including Unitholders redeeming their Units. The taxable portion of such capital gains must be included in the income of Unitholders.

To the extent that a Unitholder of the Fund receives an amount in respect of reduced sales charges (as contemplated under "Fees and Expenses – Fee Distributions"), the Fund will generally be required to include the amount of such receipt in computing income and the amount will be passed to such Unitholder as an additional income distribution by the Fund.

Losses incurred by the Fund in a taxation year cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

Taxation of Unitholders

A Unitholder will generally be required to include in income for a particular taxation year of the Unitholder such portion, if any, of the net income, including the taxable portion of the net realized capital gains, of the Fund for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year, whether received in cash or in additional Units.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund, (ii) income from foreign sources and (iii) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. A taxable Unitholder will generally be entitled to foreign tax credits in respect of foreign taxes subject to detailed foreign tax credit rules in the Tax Act and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder. To the extent amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including an enhanced gross-up and dividend tax credit in respect of "eligible dividends" paid by taxable Canadian corporations. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Distributions by the Fund in excess of its net income for tax purposes in a year will not generally be included in the Unitholder's income for the year. However, a Unitholder will be required to reduce the adjusted cost base of his or her Units by the portion of any amount paid or payable to the Unitholder by the Fund (other than the non-taxable portion of certain capital gains, the taxable portion of which was designated by the Fund for the year as described in the paragraph above) that was not included in computing the Unitholder's income. A Unitholder will realize a capital gain to the extent that the adjusted cost base of such Unitholder's Units would otherwise be a negative amount, and the adjusted cost base of such Units will be deemed to be nil immediately thereafter.

Unitholders will be informed each year of the composition of the amounts distributed to them, including amounts in respect of both cash and reinvested distributions. This information will indicate whether distributions are to be treated as ordinary income, taxable dividends (including eligible dividends), taxable capital gains, non-taxable amounts, foreign source income, and as to foreign tax deemed paid by the Unitholder as those items are applicable.

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired notwithstanding that such amounts will have been reflected in the price paid for the Units.

On the disposition or deemed disposition of a Unit by a Unitholder, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income (such as an amount designated as payable by the Fund to a redeeming Unitholder out of capital gains or income of the Fund as described above).

For the purpose of determining the adjusted cost base to a Unitholder of Units when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all identical Units owned by the Unitholder as capital property immediately before that acquisition. 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. The cost to a Unitholder of additional Units acquired on a distribution will generally be the amount of income and capital gains distributed by the issuance of those Units.

One-half of any capital gain realized by a Unitholder, and the amount of any net taxable capital gains designated by the Fund in respect of such Unitholder, will be included in the Unitholder's income as a taxable capital gain. One-half of any capital loss realized by such a Unitholder on a disposition, or deemed disposition, of Units is required to be deducted only from taxable capital gains of the Unitholder in the year of disposition, and any excess of one-half of such capital losses over taxable capital gains may generally be deducted in computing taxable income in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

Generally, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in the securities offered hereby by obtaining advice from his or her tax advisor.

Eligibility for Investment

In the opinion of Osler, Hoskin & Harcourt LLP, counsel for the Fund, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. However, the holder of a tax-free savings account that governs a trust or an annuitant of a registered retirement savings plan or registered retirement income fund may be subject to a penalty tax pursuant to the "prohibited investment" rules in the Tax Act if the holder or annuitant does not deal at arm's length with the Fund for purposes of the Tax Act or has a "significant interest" as defined in the Tax Act in the Fund. Generally, a holder or annuitant, as the case

may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm's length.

Not all securities are eligible for investment in a registered retirement savings plan. You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

RISK FACTORS

An investment in Units of the Fund involves certain risks. The following information describes certain significant risks and uncertainties inherent in the Offering and the business of the Fund and Espresso LP. Prospective purchasers should take these risks into account in evaluating the Fund and deciding whether to purchase Units of the Fund. This section does not describe all risks applicable to each of the Fund, Espresso LP, the Manager, Espresso or the General Partner, or its industry or its business, as applicable, and is intended only as a summary of certain material risks. In addition, prospective purchasers should consult their own financial and other legal and tax advisors, and should carefully consider, among other matters, the following discussion of risks before deciding whether to purchase Units of the Fund.

No Public Market; Restrictions on Resale

There is no public market for the Units and the Fund does not intend to apply for a listing of the Units on any stock exchange. There can be no assurance that a secondary market will develop or, if it does, that it will provide Unitholders with liquidity of investment. There can be no assurance as to the liquidity of the trading market for the Units or that a trading market for the Units will develop. The market price for the Units may be affected by changes in general market conditions and numerous other factors beyond the control of the Fund and the Manager.

The Units are being offered on a private placement basis pursuant to exemptions from prospectus requirements available under securities laws in each of the provinces (other than Ontario) and territories of Canada, which exemptions impose restrictions and reporting requirements on the initial offering of, and subsequent resale of, the Units. The Fund does not currently intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Units to the public in any province or territory of Canada in connection with the Offering. As a result, Units purchased pursuant to this Confidential Offering Memorandum will be subject to restrictions on resale, and may only be resold if a further exemption is relied upon by the purchasing investor or if an appropriate discretionary exemption is obtained pursuant to applicable securities laws.

The Fund is not a reporting issuer in the Province of Ontario or any other jurisdiction in Canada or the United States and neither has any current intention of becoming a reporting issuer. As a result, it is not expected that the Units will become freely tradeable under applicable securities laws.

Not a Public Investment Fund

The Fund and Espresso LP are not subject to the restrictions placed on public investment funds to ensure diversification and liquidity of their portfolio holdings.

Liquidity

Espresso LP will endeavour to maintain sufficient liquidity in its portfolio to meet its expenses and the redemption of its units. However, unexpectedly heavy demand for redemptions of units could result in

Espresso LP having to dispose of investments at a time when it is not optimal to do so in order to meet such redemption requests.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment.

Use of Leverage

It is anticipated that Espresso LP may at times incur indebtedness in an amount of up to 50% of its net asset value. The indebtedness will be secured by the assets of Espresso LP. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns (both distributions and capital).

Collateral Risk

Changes in the credit risk associated with collateral securities may impact the value of the collateral securing a Loan. The collateral value may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. As a result, a Loan may not be fully collateralized and can decline significantly in value which may negatively affect Espresso LP and the Fund.

Reliance on the Manager/General Partner/Espresso

Unitholders will be dependent on the abilities of the Manager and the General Partner to effectively administer the affairs of the Fund and Espresso LP, respectively, as well as the abilities of Espresso to originate Loans and effectively manage Espresso LP's portfolio in a manner consistent with its investment objectives and investment strategies. Each of the Manager, the General Partner and Espresso depends, to a great extent, on a very limited number of individuals in the administration of its activities as manager of the Fund, general partner Espresso LP or originator of Loans, as applicable. The loss of the services of any one of these individuals for any reason could impair the ability of the Manager, the General Partner or Espresso, as the case may be, to perform its duties, as manager and trustee on behalf of the Fund, general partner of Espresso LP or originator of Loans, as applicable.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive and tax credit programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

Conflicts of Interest – The Fund

The Manager and Espresso, the general partner of the Manager, engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives and investment strategies to those of the Fund. Although none of the directors or officers of the Manager or Espresso will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager and Espresso will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Manager and Espresso.

Credit Risk

A borrower under a Loan may default on their obligations to pay principal or interest when due. This non-payment could result in a reduction of income to Espresso LP and the Fund and potentially decrease the net

asset value of Espresso LP and the Fund. There can be no assurance that liquidation of collateral would satisfy the borrower's obligation in the event of non-payment or scheduled interest or principal when due or that such collateral could be readily liquidated. In the event of bankruptcy of a borrower, Espresso LP could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the Loan. Generally the business of those companies that Espresso LP anticipates issuing Loans to will be financed primarily by equity. Accordingly, such businesses are subject to the risks associated with development stage companies, including losses, uncertainty of revenues, markets and profitability and the possibility that the business will require further funding that may not be available.

Early-Stage Company Risk

The companies that Espresso LP anticipates originating Loans to are generally in their development stage of their business and are heavily dependent on their ability to continue to expand their target market. Should the market of such a company cease to exist, fail to grow or grow more slowly than anticipated, or become saturated with competitors, such company's business, financial condition and results of operations could be adversely affected. There can be no assurance that the business of a borrower will have sufficient economic or human resources to develop and market its business in a timely manner, or at all.

Valuation of the Fund

Valuation of the Fund may involve uncertainties and judgement determinations, and, if such valuations should prove to be incorrect, the net asset value of the Fund could be adversely affected.

Valuation of Espresso LP

Valuation of Espresso LP may involve uncertainties and judgement determinations, and, if such valuations should prove to be incorrect, the net asset value of Espresso LP could be adversely affected. The General Partner may face a conflict of interest in valuing securities held by Espresso LP because the values assigned will affect the calculation of fees payable by Espresso LP to the General Partner.

Significant Redemptions

If a substantial number of Units are redeemed, the number of Units outstanding could be significantly reduced with the effect of decreasing liquidity of the Units in the market. In addition, the expenses of the Fund would be spread among fewer Units resulting in a lower net asset value per Unit than if there were fewer redemptions. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Unitholders to terminate the Fund, the Manager could cause the termination of the Fund without Unitholder approval.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

Taxation of the Fund

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

There can be no assurances that the Canada Revenue Agency (the "CRA") will agree with the tax treatment adopted by the Fund in filing its tax return and the CRA could reassess the Fund on a basis that results in tax being payable by the Fund.

The Tax Act contains new tax loss restriction rules that apply to trusts such as the Fund. The loss restriction rules generally apply at any time when a unitholder of a trust (counted together with its affiliates) becomes a majority-interest beneficiary of the trust (i.e., holds more than 50% of the fair market value of the units of the trust) or a group of unitholders of the trust becomes a majority interest group of beneficiaries of the trust. If applicable, the taxation year of the Fund will be deemed to end and an automatic distribution of income and net capital gains may occur under the terms of the Declaration of Trust. There can be no assurance that the Fund will not in the future be subject to the loss restriction rules and there can be no assurance regarding when distributions resulting from a loss restriction event will be made.

Recent amendments to the Tax Act contained in Bill C-43, which received Royal Assent on December 17, 2014, in many circumstances provide relief from the application of the loss restriction event rules to a trust that qualifies as a "mutual fund trust" for purposes of the Tax Act and meets certain asset diversification requirements. These amendments are expected to preclude the Fund from being subject to the consequences of a "loss restriction event" described above in many circumstances.

General Economic and Market Conditions

The success of each of the Fund's and Espresso LP's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances.

No Assurance of Return

There is no assurance that the Fund or Espresso LP will achieve its investment objectives. An investment in Units should be considered as speculative and investors must bear the risk of a loss on their investment.

The foregoing statement of risks does not purport to be a complete explanation of all the risks involved in purchasing the Units of the Fund. Potential investors should read this entire Confidential Offering Memorandum and consult with their legal, tax and financial advisers, before making a decision to invest in the Units of the Fund.

REPORTING OBLIGATIONS

Financial Statements

Unitholders will receive audited financial statements of the Fund within 90 days of the Fund's fiscal year end and will receive unaudited interim financial statements in respect of each calendar quarter within 45 days of the end of such calendar quarter. The Fund will also make available to each Unitholder annually, and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

We are not required to send you any documents on an annual or ongoing basis.

Reports to Unitholders

The Manager will send or cause to be sent to each Unitholder within 45 days of the end of each calendar quarter and within 90 days of the Fund's fiscal year end, a plan accounting report setting out:

(a) details regarding any distributions made by the Fund in respect of the calendar quarter or fiscal year end;

(b) a written management report from the Manager regarding the progress of the Fund and Espresso LP;

(c) the net asset value per Unit at the last Valuation Date of the month to which the report relates;

(d) the number and value of the Units held by the Unitholder at the last Valuation Date of the month to which the report relates; and

(e) details of any Units purchased or redeemed as of the last Valuation Date of the month to which the report relates.

Meetings of Unitholders

The Fund will not hold regular meetings, however the Manager may convene a meeting of Unitholders as it considers appropriate or advisable from time to time. The Manager must also call a meeting of Unitholders on the written request of Unitholders holding not less than 50% of the outstanding Units of the Fund in accordance with the Declaration of Trust, provided that in the event of a request to call a meeting of Unitholders made by such Unitholders, the Manager shall not be obliged to call any such meeting until it has been satisfactorily indemnified by such Unitholders against all costs of calling and holding such meeting.

FEES AND EXPENSES

Sales Charge

The investor may pay a sales charge to the dealer of each investor who subscribes for Units of the Fund.

Operating Expenses

The Fund will pay for all routine and customary expenses relating to the Fund's operation, including, but not limited to fund administration, cost and interest amounts in respect of any credit facilities, any realized loan losses and associated costs or expenses, registrar and transfer agency fees and expenses, if applicable, auditing, legal, and accounting fees and expenses, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of Units including securities filing fees (if any), investor servicing costs; expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. In addition, the Fund will pay for expenses associated with ongoing investor relations and education relating to the Fund.

PLAN OF DISTRIBUTION

The Units of the Fund will be offered on a "private placement" basis on behalf of the Fund by various exempt market dealers, as placement agents (collectively, the "Agents") on a best efforts basis in accordance with the terms of placement agreements between each Agent and the Fund (each, a "Placement Agreement") in reliance upon certain exemptions from the prospectus requirements of applicable securities legislation. The obligations of the Fund to issue and sell, and of the Agent to sell the Units, are subject to compliance with all necessary legal requirements and to the terms and conditions contained in the applicable

Placement Agreement. While each Agent agrees to use its best efforts to sell the Units, it is not obligated to purchase any Units.

The Units will not be listed on any securities or stock exchange. The issue of the Units is a new issue of securities with no established trading market. The Units have not and will not be registered under the *U.S. Securities Act of 1933*, as amended (the "U.S. Securities Act") and, except pursuant to an exemption from registration under the U.S. Securities Act, may not be offered or sold in the United States, or to, or for the account or benefit of United States persons. This Confidential Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Units in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act). Offers and sales of any of the Units within the United States, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. Person (as defined in Regulation S under the U.S. Securities Act), would constitute a violation of the U.S. Securities Act unless made in compliance with the registration requirements of the U.S. Securities Act or an exemption therefrom.

Until such time as closing has occurred in respect of the Offering, all subscription funds received by the Agents will be held in trust (for greater certainty all subscription funds will be held in trust for a minimum of two business day prior to the closing of the Offering), pending closing of the Offering.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books for the Units at any time without notice. It is intended that the initial Closing Date in respect of the Offering will take place on or about February 29, 2016 or such other date as the Fund and the Agents may agree. The Fund may accept subscriptions for additional Units on such other date as the Fund may agree at a purchase price equal to the net asset value of the Units at such time.

CONDITIONS OF CLOSING

The obligation of the Fund to issue the Units and the obligation of the purchasers to purchase the Units will be conditional upon certain matters, including, but not limited to, the following:

(a) the execution and delivery of a subscription agreement in such form and substance as may be satisfactory to the Manager;

(b) if applicable, the execution and delivery of a certificate, in the form prescribed by the Manager, indicating the category under which the investor qualifies as (i) an accredited investor or (ii) an eligible investor, as those terms are defined under applicable securities laws; and

(c) if applicable, the execution and delivery of a risk acknowledgement in the form required by applicable securities law.

CERTAIN CANADIAN SECURITIES LAW MATTERS

The distribution of the Units is being made on a private placement basis pursuant to exemptions from prospectus requirements of applicable securities laws. By purchasing the Units, a purchaser of Units and any ultimate purchaser for which such purchaser is acting as agent, will be deemed to have represented, acknowledged and confirmed to the Fund and the Manager that, as at (a) the date of its subscription for Units and (b) the applicable Closing Date, the purchaser:

(a) is resident in or otherwise subject to applicable securities legislation of one of the provinces or territories of Canada and the purchase by, and sale to such purchaser of the Units and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such purchase and sale has occurred only in one of the provinces or territories of Canada;

(b) is entitled under applicable securities laws to purchase the Units without the benefit of a prospectus qualified under such securities laws;

(c) has reviewed and acknowledges the terms referred to below under the heading "Resale Restrictions" and acknowledges and agrees that the Units purchased under this Confidential Offering Memorandum are subject to resale restrictions under applicable securities laws, that the purchase of Units has certain consequences under Canadian federal income tax legislation and that it has been advised to consult its own legal counsel and tax and other advisers in its jurisdiction of residence for full particulars of the resale restrictions and tax laws applicable to it;

(d) acknowledges that it is aware of the characteristics of the Units, of the risks relating to an investment in the Units and of the fact that it may not be able to resell the Units except in accordance with limited exemptions under applicable securities law;

(e) is purchasing, Units as principal for its own account, or is deemed to be purchasing Units as principal by applicable securities law; and

(i) is an "accredited investor" as defined in National Instrument NI 45-106 – *Prospectus Exemptions* ("NI 45-106") and, if relying on subsection (m) of the definition of that term, is not a person created or being used solely to purchase or hold the Units as an "accredited investor"; or

(ii) if resident in Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec, Saskatchewan or Yukon, (1) is an "eligible investor" as defined in NI 45-106 or (2) the aggregate purchase price for the Units subscribed for by the purchaser under this Offering does not exceed $10,000; or

(iii) is resident in British Columbia, New Brunswick, Nova Scotia or Newfoundland and Labrador;

(f) acknowledges and agrees that the Fund and the Manager will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Units are no longer accurate, it will promptly notify the Fund and the Manager.

In addition, each resident of Ontario who purchases the Units will be deemed to have represented to the Fund that such purchaser:

(a) has been notified by the Fund:

(i) that the Fund will be required to provide certain personal information ("personal information") pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including the purchaser's name, address, telephone number and the number and value of Units purchased);

(ii) that such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106;

(iii) that such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario;

(iv) that such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and

(v) that the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8, Telephone: (416) 593-3684; and

(b) has authorized the indirect collection of such personal information by the OSC.

Furthermore, the purchaser acknowledges that its name, address, telephone number and other specified information, including the number of Units it has purchased and the aggregate purchase price paid by the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing Units the purchaser consents to the disclosure of such information.

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

RESALE RESTRICTIONS

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Unless permitted under securities legislation, a Unitholder cannot trade the securities before the date that is 4 months and a day after the date the Fund becomes a reporting issuer in any province or territory in Canada.

In addition to the above, for subscribers resident in Manitoba, unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba, unless the Fund 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 you have held the securities for at least 12 months. The regulator in Manitoba will consent to such a trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The distribution in Canada of the Units is being made on a private placement basis in accordance with applicable securities laws and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities.

Each purchaser of Units acknowledges that the confirmation representing the number of Units purchased by the purchaser on the Closing Date will contain the foregoing resale restriction:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, A HOLDER OF UNITS MUST NOT TRADE THE UNITS BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) THE DATE ON WHICH THE UNITS WERE ISSUED AND (II) THE DATE THE FUND BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA."

The Fund is not a reporting issuer in the Province of Ontario or any other jurisdiction in Canada or the United States and does not have any current intention of becoming a reporting issuer. As a result, it is not expected that the Units will become freely tradeable under applicable securities laws.

The foregoing is only a summary of the resale restrictions relevant to purchasers of the Units. It is not intended to be exhaustive. All persons purchasing Units pursuant to this Confidential Offering Memorandum should consult with their own advisors:

(a) prior to acquiring the Units pursuant to this Confidential Offering Memorandum for advice with respect to the restrictions on resale of such Units; and

(b) prior to selling any of the Units ensure compliance under applicable securities laws.

PURCHASERS' RIGHTS

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

(a) Two Day Cancellation Right - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(b) Statutory Rights of Action in the Event of a Misrepresentation - If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

(i) the Fund to cancel your agreement to buy these securities: or

(ii) for damages against the Fund.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence (a) your action to cancel the agreement or (b) your action for damages within the time period stated by securities legislation as set forth below.

(c) Contractual Rights of Action in the Event of a Misrepresentation - If there is a misrepresentation in this offering memorandum, you have a contractual right to sue the Fund:

(i) to cancel your agreement to buy these securities; or

(ii) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that Fund proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Fund has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

A purchaser of Units has a statutory right of action in the following offering jurisdictions: Ontario, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan. As required by applicable securities laws, a purchaser's statutory rights of action in Ontario, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan are summarized below.

These rights are in addition to, and without derogation from, any other right or remedy that purchasers may have at law. For the purposes of the following, and except as otherwise defined below in respect of a particular province, "Misrepresentation" means an untrue statement of a material fact, or an omission to state a material fact that is required to be stated, or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The following summary is subject to the express provisions of the relevant securities legislation and the rules, regulations and other instruments thereunder in the relevant provinces. Those provisions may contain other limitations and statutory defenses, not described below, on which a defendant may rely.

Ontario

If this Confidential Offering Memorandum, together with any amendment to it, is delivered to a purchaser prior to purchasing his, her or its Units and this Confidential Offering Memorandum, or any amendment to it, contains a Misrepresentation which was a Misrepresentation at the time of the purchase of the Units purchasers in Ontario will, without regard to whether the purchaser relied on the Misrepresentation, have a statutory right of action against the Fund for damages or, alternatively, while still the owner of any of the Units for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Fund provided that:

(a) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(b) in a case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under this Confidential Offering Memorandum, or any amendment to it.

The statutory right of action described above does not apply to the following prospective purchasers in Ontario:

(a) a Canadian financial institution, as defined in OSC Rule 45-501 – *Ontario Prospectus and Registration Exemptions*, or an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

No action may be commenced to enforce the right of action described above unless the right is exercised within:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

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

Saskatchewan

If this Confidential Offering Memorandum or any amendment to it is sent or delivered to a purchaser resident in Saskatchewan and it contained a Misrepresentation, a purchaser who purchases a security covered by this Confidential Offering Memorandum or any amendment to it has, without regard to whether the purchaser relied on the Misrepresentation, a right of action for rescission against the Fund or has a right of action for damages against:

(a) the Fund;

(b) every promoter (and if applicable trustee) of the Fund at the time this Confidential Offering Memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who, or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed this Confidential Offering Memorandum or any amendment to this Confidential Offering Memorandum; and

(e) every person who, or company that, sells securities on behalf of the Fund under this Confidential Offering Memorandum or amendment to this Confidential Offering Memorandum.

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

(a) if the purchaser elects to exercise its rights of rescission against the Fund it shall have no right of action for damages against the Fund;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the Misrepresentation relied on;

(c) no person or company, other than the Fund, will be liable for any part of this Confidential Offering Memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;

(d) in no case shall the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the Misrepresentation.

In addition, no person or company, other than the Fund will be liable if the person or company proves that:

(a) this Confidential Offering Memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of this Confidential Offering Memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that (i) there had been a Misrepresentation, or (ii) the part of this Confidential Offering Memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the Fund, or others may rely on are described herein. Please refer to the full text of *The Securities Act, 1988* (Saskatchewan), as amended (the "Saskatchewan Act").

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

The Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are purchased from a vendor who is trading in Saskatchewan in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Financial and Consumer Affairs Authority of Saskatchewan, Securities Division.

The Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom this Confidential Offering Memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by the Saskatchewan Act.

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

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission, the earlier of:

(i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

(ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with the Saskatchewan Act with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two (2) business days of receiving the amended offering memorandum.

The Saskatchewan Act provides that a person or company is not liable for a Misrepresentation in forward-looking information if the person or company proves that:

(a) with respect to the document containing the forward-looking information, proximate to that information there is contained:

(i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

(ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Nova Scotia

If this Confidential Offering Memorandum, a record incorporated by reference in or deemed incorporated into this Confidential Offering Memorandum or any amendment to it or any advertising or sales literature contains a Misrepresentation that was a Misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the Misrepresentation and will have a statutory right of action for damages against the Fund and, subject to additional defences, against the trustee of the Fund and persons who have signed this Confidential Offering Memorandum. Alternatively, the purchaser may elect to exercise a statutory right of rescission against the Fund in which case the purchaser will have no right of action for damages. This right of action is subject to the following limitations:

(a) the right of action for damages or rescission is exercisable not later than 120 days after the date on which payment was made for the securities;

(b) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(c) in the case of an action for damages, the defendant will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation;

(d) in no case will the amount recoverable exceed the price at which the securities were offered to the purchaser;

(e) no person or company other than the Fund is liable if the person or company proves that, with respect to any part of this Confidential Offering Memorandum or amendment to this Confidential Offering Memorandum purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (i) there had been a Misrepresentation or (ii) the relevant part of this Confidential Offering Memorandum or amendment to this Confidential Offering Memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

(f) no person or company other than the Fund is liable with respect to any part of this Confidential Offering Memorandum or amendment to this Confidential Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or (ii) believed that there had been a Misrepresentation;

(g) no person or company is liable for a Misrepresentation in forward-looking information if the person or company proves all of the following things:

(i) the document containing the forward-looking information contained, proximate to that information,

(A) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and

(B) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

(h) No person or company, other than the Fund is liable if this Confidential Offering Memorandum or an amendment thereto was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent; and

(i) No person or company, other than the Fund is liable if after delivery of this Confidential Offering Memorandum any amendment thereto and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in this Confidential Offering Memorandum, or amendment thereto, the person or company withdrew the person's or company's consent to this Confidential Offering Memorandum, or amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it.

The rights of action for rescission or damages described herein are in addition to and without derogation from any right a purchaser may have at law.

New Brunswick

Section 150(1) of *Securities Act* (New Brunswick) provides that where any information relating to the Offering provided to the purchaser of the securities contains a Misrepresentation, the purchaser will be deemed to have relied upon the Misrepresentation if it was a Misrepresentation at the time of purchase and will have a statutory right of action against the Fund for damages or, alternatively, for rescission, provided that no action shall be commenced to enforce a right of action more than,

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

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

If the purchaser elects to exercise its right of rescission against the Fund it shall have no right of action for damages against the Fund.

This right of action is also subject to the following limitations:

(a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(b) in the case of an action for damages, the defendant will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation;

(c) the Fund will not be liable where it is not receiving any proceeds from the distribution of the securities and the Misrepresentation was not based on information provided by the Fund unless the Misrepresentation (i) was based on information that was previously publicly disclosed by the Fund, (ii) was a Misrepresentation at the time of its previous public disclosure, and (iii) was not subsequently publicly corrected or superseded by the Fund before the completion of the distribution of the securities; and

(d) in no case will the amount recoverable under section 150(1) exceed the price at which the securities were sold to the purchaser.

The rights of action for rescission or damages described herein are in addition to and without derogation from any other right a purchaser may have at law.

Alberta

The *Securities Act* (Alberta) provides that, subject to certain limitations, where any information relating to this Offering that is provided to a purchaser of Units contains an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made (a "misrepresentation"), a purchaser who purchases Units shall regardless of whether the purchaser relied on the misrepresentation, subject to certain defences, have a right of action for damages or may elect to exercise a right of rescission, in which case he shall have no right of action for damages, provided that:

(a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;

(b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and

(c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

In addition, no person or company other than the issuer is liable if the person or company proves that:

(a) the offering memorandum or the amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting: (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (a) there had been a misrepresentation, or (b) the relevant part of the offering memorandum or amendment to the offering memorandum (1) did not fairly represent the report, opinion or statement of the expert, or (2) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Pursuant to section 211 of the *Securities Act* (Alberta), no action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the day of the transaction that gave rise to the cause of action, in any other case.

The right of action for rescission or damages described herein is conferred by section 204 of the *Securities Act* (Alberta) and is in addition to and without derogation from any right the purchaser may have at law and is subject to the express provisions of the *Securities Act* (Alberta), and the rules, regulations and other instruments thereunder.

Manitoba

The *Securities Act* (Manitoba) provides that, subject to certain limitations, where any information relating to this Offering that is provided to a purchaser of Units contains an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made (a "misrepresentation"), a purchaser who purchases Units shall be deemed to have relied on the misrepresentation and has, subject to certain defences,

a right of action for damages or may elect to exercise a right of rescission, in which case he shall have no right of action for damages, provided that:

(a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;

(b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and

(c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

In addition, no person or company other than the issuer is liable if the person or company proves that:

(a) the offering memorandum or the amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting: (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (a) there had been a misrepresentation, or (b) the relevant part of the offering memorandum or amendment to the offering memorandum (1) did not fairly represent the report, opinion or statement of the expert, or (2) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Pursuant to section 141 of the *Securities Act* (Manitoba), no action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action, in any other case.

The right of action for rescission or damages described herein is conferred by section 141 of the *Securities Act* (Manitoba) and is in addition to and without derogation from any right the purchaser may have at law and is subject to the express provisions of the *Securities Act* (Manitoba), and the rules, regulations and other instruments thereunder.

Newfoundland and Labrador

The *Securities Act* (Newfoundland and Labrador) provides that, subject to certain limitations, where any information relating to this Offering that is provided to a purchaser of Units contains an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to

make a statement not misleading in light of the circumstances in which it was made (a "misrepresentation"), a purchaser who purchases Units during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a statutory right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum and (b) for rescission against the issuer.

The *Securities Act* (Newfoundland and Labrador) provides a number of limitations and defences in respect of such rights. Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for damages or rescission:

(a) where the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;

(b) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and

(c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

In addition, no person or company, other than the issuer, is liable:

(a) where the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;

(b) if the person or company proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;

(c) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:

  (i) there had been a misrepresentation; or

  (ii) the relevant part of the offering memorandum:

    (A) did not fairly represent the report, opinion or statement of the expert; or

    (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(d) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:

(i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed there had been a misrepresentation.

Pursuant to section 138 of the *Securities Act* (Newfoundland and Labrador), no action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the day of the transaction that gave rise to the cause of action, in any other case.

The right of action for rescission or damages described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador) and is in addition to and without derogation from any right the purchaser may have at law and is subject to the express provisions of the *Securities Act* (Newfoundland and Labrador), and the rules, regulations and other instruments thereunder.

Contractual Rights of Action

A contractual right of action for rescission or damages which is the same as the statutory right of action for rescission or damages provided to purchasers resident in the Province of Ontario (as discussed above) will be provided to purchasers resident in the Provinces of British Columbia and Québec, and will be conferred by the issuance of a purchase confirmation in respect of the Units by the Fund to such purchasers. Such contractual rights of action for rescission or damages are in addition to, and without derogation from, any other rights or remedies the purchaser may have at law.

LEGAL MATTERS

Certain legal matters in respect of the Units will be passed upon for the Fund and the Manager by Osler, Hoskin & Harcourt LLP.

AUDITORS AND TRANSFER AGENT

The auditors of the Fund and the Manager are KPMG LLP.

Pinnacle Fund Administration will be the registrar for the Units and the register for the transfer of the Units will be kept at its principal office in Vancouver, British Columbia.

FINANCIAL STATEMENTS

Opening Statement of Financial Position of

ESPRESSO INCOME TRUST

January 4, 2016

INDEPENDENT AUDITORS' REPORT

To the Unitholder of Espresso Income Trust

We have audited the accompanying opening statement of financial position of the Espresso Income Trust as at January 4, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Manager's Responsibility for the Financial Statement

The Manager is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the opening financial position of the Espresso Income Trust as at January 4, 2016, in accordance with International Financial Reporting Standards.

"*KPMG LLP*"

Chartered Professional Accountants

February 15, 2016
Vancouver, Canada

ESPRESSO INCOME TRUST

Opening Statement of Financial Position

January 4, 2016

Subscription receivable	$	500
Net assets attributable to holders of redeemable units	$	500
Represented by:		
Class A units	$	500
	$	500
Net assets attributable to holders of redeemable units per unit:		
Class A units	$	1

The accompanying notes are an integral part of the opening statement of financial position.

Approved on behalf of Espresso Capital Ltd.,
as General Partner of Espresso Trust LP,
the Trustee and Manager of Espresso Income Trust

"*Alkarim Jivraj*" Director "*Enio Lazzer*" Director

ESPRESSO INCOME TRUST

Opening Statement of Financial Position

January 4, 2016

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1. Reporting entity:

Espresso Income Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 1, 2016 (the "Declaration of Trust"). Espresso Trust LP (the "Manager") will act as manager and trustee of the Fund and will provide all administrative services required by the Fund. The Fund is authorized to issue an unlimited number of units of an unlimited number of classes.

The principal office of the Fund is located at 322 King Street West, Suite 403, Toronto, Ontario, M5V 1J2.

2. Basis of preparation:

(a) Statement of compliance:

The financial statement of the Fund has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statement was authorized for issue by the Manager on February 15, 2016.

(b) Basis of measurement:

The financial statement has been prepared on a historical cost basis.

(c) Functional and presentation currency:

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

(d) Use of estimate and judgment:

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

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

3. Significant accounting policies:

(a) Financial instruments:

(*i*) Recognition and measurement:

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

The Fund has not classified any financial instruments as fair value through profit or loss, available-for sale or held-to-maturity. The Fund initially recognizes loans and receivables and other financial liabilities on the date they are originated.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

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

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

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(*i*) Recognition and measurement (continued):

At each reporting date, the Fund assesses whether there is objective evidence that a loan receivable is impaired. If there is objective evidence that an impairment loss on a loan has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of loan is reduced through use of an allowance for impairment account.

The Fund first assesses whether objective evidence of impairment exists individually for each loan.

If it is determined that no objective evidence of impairment exists for an individually assessed loan, each group of loans with similar credit risk characteristics are collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of loans with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of any impairment loss previously recognized decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment is recognized in net income.

Loans are written off from time to time as determined by the Manager when it is reasonable to expect that the recovery of the loan is unlikely. Loans are written off against the allowance for impairment, if an allowance for impairment had previously been recognized. If no allowance had been recognized, the write offs are recognized as expenses in net income.

(*ii*) Other financial liabilities:

The Fund's other financial liabilities are comprised of line of credit, deferred commitment fees, performance fee payable, operating fee payable, accrued expenses and interest payable. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued):

(b) Redeemable units:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has Class A redeemable units. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date.

(c) Foreign exchange:

The financial statements of the Fund are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

(d) Revenue recognition:

Interest income on loans is recognized using the effective interest method over the term of the respective loan.

Commitment fees are amortized into revenue based on the expected life of each loan. When a loan is repaid before the date of the expected life of the loan, the remaining commitment fees for the respective loan are brought into income at the time the loan is repaid. When a loan extends beyond the date of the expected life of the loan, the amortization period for the related commitment fee is re-determined based on the new conditions surrounding the loan.

(e) Income taxes:

The Fund qualifies as a unit trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes.

3. Significant accounting policies (continued):

(f) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective as at January 4, 2016, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Fund, with the possible exception of IFRS 9, *Financial Instruments*.

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

The standard is effective for annual periods beginning on or after January 1, 2018. The Fund intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The Fund's Manager is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Fund's financial assets are currently measured at fair value or amortized cost.

4. Capital management:

The redeemable units issued by the Fund represents the capital of the Fund. The Fund is subject to internally imposed restrictions on its capital. The Fund's objective in managing the redeemable units is to provide holders of the units with regular cash distributions and to preserve capital and minimize the risk of capital loss.

As at January 4, 2016, the Fund had issued 500 Class A units to Espresso Capital Ltd. for consideration of $500.

5. Fair value of financial instruments:

(a) Valuation models:

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

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

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

Level 3: inputs that are unobservable.

The Fund's net assets attributable to holders of redeemable units are classified as Level 2 since the carrying amount approximates fair value as the units are measured as the redemption amount.

The carrying value of cash approximates its fair value and is classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for this instrument.

CERTIFICATE

Dated: February 22, 2016

This confidential offering memorandum does not contain a misrepresentation.

ESPRESSO TRUST LP, by its general partner ESPRESSO CAPITAL LTD., as trustee and manager of ESPRESSO INCOME TRUST

By: _____

Name: Enio Lazzer
Title: Chief Financial Officer