

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

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

**Private Placement of Class A, B, F, I Shares**

**March 2, 2020**

## **OFFERING MEMORANDUM**



### **CANNAINCOME FUND CORP.**

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|------------------------------------|---|
| <b>Glossary:</b>                   | See Glossary for meaning of capitalized words and phrases used in this Offering Memorandum.   |
| <b>Currently listed or quoted:</b> | No. <b>These securities do not trade on any exchange or market.</b>   |
| <b>Reporting Issuer:</b>           | No.   |
| <b>SEDAR filer:</b>                | Yes, but only as required pursuant to section 2.9 of National Instrument 45-106 – <i>Prospectus Exemptions</i> . The Corporation is not a reporting issuer and does not file continuous disclosure documents on SEDAR that are required to be filed by reporting issuers. |

#### **THE OFFERING**

|                                  |   |
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| <b>Securities Offered:</b>       | The Offering consists of Class A Shares, Class B Shares, Class F Shares and Class I Shares of the Corporation.  |
| <b>Price Per Security:</b>       | The price per Class A Share, Class B Share, Class F Share and Class I Share will initially be \$0.50 per share, and thereafter, will be determined and approved by the Fund Manager, in consultation with the Asset Manager or such third party appointed by the Asset Manager from time to time based on the Net Asset Value of the Shares. The price per Share will be set forth in the Subscription Agreement(s) entered into between the Subscriber(s) and the Corporation. |
| <b>Minimum/Maximum Offering:</b> | <b>There is no minimum or maximum to this Offering. You may be the only purchaser. Funds available under this Offering may not be sufficient to accomplish the Corporation's proposed objectives. See Item 8 - RISK FACTORS.</b>  |
| <b>Minimum Subscription:</b>     | \$10,000. The Asset Manager may accept lesser subscription amounts in its sole discretion.  |
| <b>Payment Terms:</b>            | The Shares are being offered both directly through a registrant by the Corporation and through FundServ. If purchasing directly, payment shall be made as directed by the Asset Manager or your investment advisor or dealing representative. If purchasing through FundServ, payment for the Shares must be made through the FundServ system.  |
| <b>Proposed Closing Date(s):</b> | Closings of the Offering will take place on the dates determined by the Asset Manager. It is anticipated that Closings will take place on the last Business Day of every month.   |

**Income Tax  
Consequences:**

There are important tax consequences relating to the ownership of these securities. See **Item 6 - INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR EXEMPT PLANS.**

**Sellers and Finders:**

The Shares offered for sale under this Offering will be distributed by exempt market dealers and other agents. The Corporation may pay commissions of up to 6.00% of the gross proceeds realized on the sale of Class A Shares for soliciting, or assisting with effecting, sales of the Shares. In addition, the Corporation may pay to each registered dealer of the Class A Shares an annual trailer fee equal to up to 1.00% of the subscription amount which is paid on a quarterly basis. The aggregate maximum amount of commissions and fees in respect of administrative matters in connection with the Offering is up to 8.5% of the gross proceeds of the Shares. In addition, in certain circumstances the Asset Manager may share a portion of its Performance Bonus with dealers, if earned. The Corporation may pay commissions or fees on Class B, F and I Shares. See **Item 7 - COMPENSATION PAID TO SELLERS AND FINDERS.**

**Related and Connected  
Issuer:**

The Corporation is a connected issuer of Qwest Investment Fund Management Ltd., which acts as the Fund Manager. The Fund Manager earns fees from the Corporation and may act as a dealer in respect of sales of Shares. See **Item 7.2 - Related and Connected Issuers**, and **Item 7 - COMPENSATION PAID TO SELLERS AND FINDERS.**

**Redemption Matters**

Shares may be surrendered for redemption at any time at the demand of the Shareholder, but will be redeemed only on the applicable quarterly Redemption Date (as defined herein). Shareholders must give written notice to Alliance of its intention to redeem and the number Shares to be redeemed within thirty (30) days prior to the quarterly Redemption Date and the Shareholder will be paid on the day that is on or before the tenth (10<sup>th</sup>) day following the applicable Redemption Date. If the Shareholder redeems a Class of Shares prior to the following anniversaries of the issuance date of the Shares, then the following liquidity premiums would apply to all such Shares redeemed: (a) 0 year to 1<sup>st</sup> year = 10%; (b) 1<sup>st</sup> year to 2<sup>nd</sup> year = 5.0%; (c) 2<sup>nd</sup> year to 3<sup>rd</sup> year = 2.5%; and (d) After the 3<sup>rd</sup> year = 0.0%.

The entitlement of a Shareholder to receive cash upon the redemption of such Shareholder's Shares is subject to limitations, including where:

- a) the total amount payable by the Corporation for Shares tendered for redemption in the same calendar quarter is the greater of \$150,000 per quarter or 1.25% of Assets Under Management per quarter;
- b) in the Board's opinion (in their absolute discretion), the Corporation has insufficient liquid assets to fund such redemptions or that the liquidation of assets at such time would be to the detriment of or adversely affect the remaining Shareholders or the Corporation generally.

Shares tendered for redemption during any calendar quarter in which the total amount payable by the Corporation exceeds the Redemption Limit may be redeemed, in the discretion of the Board, subject to any waiver of the Redemption Limit, for cash and Redemption Notes (as defined herein) on a pro rata basis. Any Redemption Notes issued by the Corporation would be an unsecured subordinated promissory note of the Corporation having a maturity date of three years or less and an interest rate equal to the Canada Bond Rate. These notes would not be eligible to be held in Exempt Plans under the Tax Act. See **Item 5.3 - Redemption of Common Shares.**

**Resale Restrictions**

You will be restricted from selling your securities for an indefinite period. You will not be able to sell these securities except in very limited circumstances. You may never be able to resell these securities. See **Item 10 - RESALE RESTRICTIONS.**

**Purchaser's Rights**

You have 2 Business Days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue

either for damages or to cancel the agreement. See **Item 11 - PURCHASERS' RIGHTS**.

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## FORWARD-LOOKING INFORMATION

This Offering Memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Corporation anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward looking information can be identified by terms such as “future”, “may”, “will”, “intend”, “expect”, “target”, “anticipate”, “believe”, “potential”, “enable”, “plan”, “continue”, “contemplate” or other comparable terminology. Forward looking information presented in this Offering Memorandum includes the following:

- (a) the Corporation’s intentions or expectations about its ability to raise capital under this Offering (including the issue and sale of the Shares) or otherwise, including the ability of the Corporation to complete this Offering;
- (b) long-term or short-term plans and objectives of the Corporation for future operations or refinancing of the properties, forecast business results and anticipated financial performance, including any targeted returns to Subscribers of Shares;
- (c) the Corporation’s intentions or expectations about its ability to distribute cash (if any) to Shareholders and achieve any targeted returns; and
- (d) the Corporation’s intentions regarding payment of Selling Commissions, Offering costs and ongoing general and administrative expenses, including the fees and expenses described in **Item 7 - COMPENSATION PAID TO SELLERS AND FINDERS.**

Various assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward looking information. Those assumptions are based on information currently available to the Corporation, including information obtained by the Corporation and from third party industry analysts and other arm’s length sources. In some instances, material assumptions are presented or discussed elsewhere in this Offering Memorandum in connection with the forward-looking information. We caution you that the following list of material assumptions is not exhaustive. The assumptions include, but are not limited to:

- (a) expectations about general economic conditions and conditions in the cannabis markets where Cannabis Investments target and the ability to generate a profit therefrom;
- (b) expectations about the availability of capital, including expectations about the successful completion of the Offering;
- (c) expectations about the Corporation’s ability to raise sufficient funds to complete its business objectives, including the advance of funds to the Corporation, and facilitating Cannabis Investments;
- (d) intentions or expectations about the Corporation’s management and operation of Cannabis Investments;
- (e) intentions or expectations about the Corporation’s abilities or opportunities to sell, finance or refinance any Cannabis Investments;
- (f) expectations about policies of the municipal, local, state and federal governments in respect of the cannabis industry;
- (g) a competitive environment; and
- (h) no significant event occurring outside the ordinary course of business such as a natural disaster or other calamity.

The forward-looking information in this Offering Memorandum is based (in whole or in part) upon factors which may cause actual results, performance or achievements of the Cannabis Investments, and, consequently, those of the Corporation, to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information.

Other factors which could cause actual results, performance, achievements or outcomes of the Corporation to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information are disclosed under **Item 8 - RISK FACTORS**. The Corporation is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by Applicable Laws. Because of the risks, uncertainties and assumptions contained herein, prospective Subscribers should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained in this Offering Memorandum.

## **MARKETING MATERIALS**

Any “**OM marketing materials**” (as such term is defined in National Instrument 45-106 – *Prospectus Exemptions*) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective Subscriber before the termination of such distribution will be, and will be deemed to be, incorporated by reference into this Offering Memorandum in accordance with NI 45-106, provided that any OM marketing materials to be incorporated by reference into this Offering Memorandum is not part of the Offering Memorandum to the extent that the contents of such OM marketing materials have been modified or superseded by a statement contained in an amended or amended and restated Offering Memorandum or OM marketing materials subsequently delivered or made reasonably available to a prospective Subscriber prior to the execution of the Subscription Agreement by the Subscriber.

**Any statement contained in this Offering Memorandum or in a document incorporated or deemed to be incorporated by reference herein is deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, 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. Any statement so modified or superseded is not deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.**

Information contained or otherwise accessed through the Corporation’s website or any website does not form part of this Offering Memorandum or the Offering.

## GLOSSARY

In this Offering Memorandum (including on the face page hereof), unless the context otherwise requires, the following words and terms have the indicated meanings and grammatical variations of such words and terms have corresponding meanings:

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|------------------------------|--|
| “Act”                        | means <i>Canada Business Corporations Act</i> R.S.C., 1985, c. C-44, as amended, including the regulations promulgated thereunder.   |
| “Administrator”              | means Exempt Edge Inc., the administrator and provider of the online accessible client reporting through “Issuer Edge System” for the Corporation. See <b>Item 2.1 - Structure</b> .   |
| “affiliate”                  | has the meaning given in the Act.  |
| “Alliance”                   | means Alliance Trust Company, the registrar and transfer agent of the Corporation. See <b>Item 2.1 - Structure</b> .   |
| “Applicable Laws”            | means all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act.  |
| “Asset Manager”              | means Aston Capital Advisors Corporation, the asset manager of the Corporation. See <b>Item 2.1 - Structure</b> .  |
| “Asset Management Agreement” | means the amended and restated administrative and management services agreement entered into between the Corporation and the Asset Manager dated May 3, 2019. See <b>Item 2.7.1 - Asset Management Agreement</b> .   |
| “Asset Management Fee”       | means the fees payable by the Corporation to the Asset Manager pursuant to the Asset Management Agreement. See <b>Item 1.4.1 - Asset Management Fee</b> .  |
| “Asset Management Services”  | has the meaning given thereto in <b>Item 2.7.1 - Asset Management Agreement</b> .  |
| “Assets Under Management”    | means the book value of the Corporation’s investments, plus cash on hand.  |
| “Auditor”                    | means the firm of Chartered Professional Accountants from time to time appointed as auditor(s) of the Corporation by the Asset Manager.  |
| “Available Funds”            | means the Gross Offering Proceeds less the aggregate of the estimated Offering costs and Selling Commissions.  |
| “Board”                      | means the board of directors of the Corporation.   |
| “Business Day”               | means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in Calgary, Alberta, for the transaction of banking business.   |
| “By-Laws”                    | means the general by-laws (Regulation Number 1) of the Corporation as adopted on January 11, 2018 and amended on November 2, 2018.   |
| “Canada Bond Rate”           | means the rate (expressed as a percentage) equal to the average of the mid-market yields to maturity calculated from the applicable redemption date, of a Government of Canada bond with a term to maturity that is approximately 3 years from the date of the applicable Redemption Note, as determined by the Asset Manager and provided that the Asset Manager may choose a shorter or longer term. |

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| <b>“Cannabis Investments”</b>      | means any investments made by the Corporation in the securities of issuers that are active in the cannabis sector.  |
| <b>“CannaIncome”</b>               | means, collectively, the Corporation and the Asset Manager.   |
| <b>“Class”</b>                     | means a particular class of Common Shares.  |
| <b>“Class A Shares”</b>            | means the Class A common shares of the Corporation.   |
| <b>“Class B Shares”</b>            | means the Class B common shares of the Corporation.   |
| <b>“Class F Shares”</b>            | means the Class F common shares of the Corporation.   |
| <b>“Class I Shares”</b>            | means the Class I common shares of the Corporation.   |
| <b>“Class of Shares”</b>           | means Class A, B, F, and I Shares.  |
| <b>“Closing”</b>                   | means the completion of the issue and sale to Subscribers of Shares under the Offering, which are anticipated to occur on a monthly basis.  |
| <b>“Closing Date”</b>              | means the date of a Closing.  |
| <b>“Close of Business”</b>         | means 5:00 p.m. (Calgary time) on a Business Day.   |
| <b>“Common Shares”</b>             | means the common shares in the capital of the Corporation   |
| <b>“Consideration”</b>             | means the cash and/or securities received by the Corporation for sales of investments held by it.   |
| <b>“Corporation”</b>               | means CannaIncome Fund Corp., a corporation incorporated under the laws of Canada on January 31, 2018.  |
| <b>“Corporation Property”</b>      | means at any time, means all of the money, properties and other assets of any nature or kind whatsoever, including both income and capital of the Corporation, as are, at such time, held by the Corporation or by the Asset Manager on behalf of the Corporation.  |
| <b>“CRA”</b>                       | means the Canada Revenue Agency.  |
| <b>“Distribution Payment Date”</b> | means, in respect of a Distribution Period: (i) that coincides with a calendar month, a date not later than the last day of the following calendar month as determined by the Corporation; or (ii) such other date following the completion of a Distribution Period that does not coincide with a calendar month, as determined from time to time by the Corporation in respect of the Distribution Period, and, in any case, if the date scheduled as a Distribution Payment Date in accordance with the foregoing is not a Business Day, the Distribution Payment Date is the next following Business Day. |
| <b>“Distribution Period”</b>       | means a period for which cash flow of the Corporation and distributable cash are to be calculated for the purposes of a distribution, which, without limiting the foregoing, will generally be a calendar month, unless determined otherwise in sole discretion of the Corporation.   |
| <b>“Distribution Record Date”</b>  | means, for any Distribution Period, the last calendar day of each Distribution Period, or, if that day is not a Business Day, the next following Business Day, or such other date determined from time to time by the Corporation, provided   |

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|                                    | that December 31 and any other taxation year-end is in all cases a Distribution Record Date.  |
| <b>“DRIP”</b>                      | means the Corporation’s distribution reinvestment plan. See also <b>Item 2.7.3 - Distribution Reinvestment Plan</b> .   |
| <b>“DRIP Enrolment Form”</b>       | means the enrolment form indicating that the Shareholder elects to participate in the DRIP (which may be included in the Subscription Agreement).   |
| <b>“DRIP Share Price”</b>          | means a price per Share equal to the most recent subscription price per Share that the Shares were offered to Subscribers for purchase, less 5%.  |
| <b>“Eligible Common Shares”</b>    | means Shares held by Eligible Holders.  |
| <b>“Eligible Holders”</b>          | means Shareholders who are not Non-Resident.  |
| <b>“Exempt Plan”</b>               | means a trust governed by a registered retirement savings plan, a registered education savings plan, a registered retirement income fund, a deferred profit-sharing plan, a tax-free savings account or a registered disability savings plan.   |
| <b>“Fund Manager”</b>              | means the entity appointed under the Fund Management Agreement to provide management manager services to the Corporation, which is currently Qwest Investment Fund Management Ltd., a corporation incorporated under the laws of Canada, which is the investment fund manager of the Corporation. See <b>Item 2.1 - Structure</b> . |
| <b>“Fund Management Agreement”</b> | means the fund management agreement entered into between the Fund Manager and the Corporation dated October 1, 2018. See <b>Item 2.7.2 - Fund Management Agreement</b> .  |
| <b>“Fund Management Fees”</b>      | means the fees payable by the Corporation to the Fund Manager, pursuant to the Fund Management Agreement. See <b>Item 1.4.3 - Fund Management Fees</b> .  |
| <b>“Fund Management Services”</b>  | has the meaning given thereto in <b>Item 2.7.2 - Fund Management Agreement</b> .  |
| <b>“FundServ”</b>                  | means the facility maintained and operated by FundServ Inc. for electronic communication with participating companies, including the receiving of orders, order matching, contracting, registrations, settlement of orders, transmission of confirmation of purchases and the redemption of investments or instruments.             |
| <b>“Gross Offering Proceeds”</b>   | means at any time, the aggregate gross proceeds realized by the Corporation from the issue and sale of Shares under the Offering.   |
| <b>“Hurdle Rate”</b>               | means the mark where in a calendar year the Consideration exceeds, in the aggregate, 108% of the purchase price paid by the Corporation for such investments.   |
| <b>“IFRS”</b>                      | means International Financial Reporting Standards.  |
| <b>“Management”</b>                | means the management team of the Asset Manager.   |
| <b>“Net Asset Value” or “NAV”</b>  | means, the net asset value of the Corporation, as determined by the Fund Manager by calculating the value of all of the Corporation Property and subtracting the Total Liabilities.   |

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| <b>“Net Proceeds”</b>                | means the total amount raised by the issuance of Shares pursuant to the Offering, less expenses of the Offering, Selling Commissions and any other applicable fees.   |
| <b>“NI 45-106”</b>                   | means National Instrument 45-106 – <i>Prospectus Exemptions</i> .   |
| <b>“Non-Registered Participant”</b>  | means a Participant who holds Shares through an intermediary such as a financial institution, broker or nominee and has enrolled in the Exempt Plan or DRIP, as applicable, through the intermediary.   |
| <b>“Non-Registered Shareholders”</b> | mean the beneficial holders of Shares who hold their Shares through an intermediary such as a financial institution, broker or nominee.   |
| <b>“Non-Resident”</b>                | means a person that is not resident in Canada or that is deemed to be not resident in Canada for the purposes of the Tax Act.   |
| <b>“Offering”</b>                    | means the Corporation’s continuous offering, issue and sale of the Shares on a private placement basis, as more particularly described in this Offering Memorandum.   |
| <b>“Offering Memorandum”</b>         | means this confidential offering memorandum pertaining to the Offering, including any amendment, restatement or update to this offering memorandum.   |
| <b>“Ordinary Resolution”</b>         | means in respect a resolution passed by more than 50% of the votes cast, either in person or by proxy, at a duly convened meeting of the Shares of a Class or, alternatively, in a written resolution signed by Shareholders holding more than 50% of the Shares of the Class outstanding, in each case entitled to vote on such resolution at a meeting. |
| <b>“Participant”</b>                 | means an Eligible Holder who has elected, in accordance with the terms of the DRIP, to participate in the DRIP and includes both Registered Participants and Non-Registered Participants.   |
| <b>“Performance Bonus”</b>           | means the performance bonus payable by the Corporation as partial consideration for the services of the Asset Manager.  |
| <b>“Plan Agent”</b>                  | means Alliance Trust Company, or such other plan agent as appointed by the Corporation from time to time to manage the DRIP.  |
| <b>“President &amp; CEO”</b>         | means the President and the Chief Executive Officer of the Corporation.   |
| <b>“Private Portfolio”</b>           | means the collective investments made by the Corporation in securities of private issuers that form part of the Corporations’ Cannabis Investments.   |
| <b>“Public Portfolio”</b>            | means the collective investments made by the Corporation in securities of reporting issuers that form part of the Corporation’s Cannabis Investments.   |
| <b>“RDSP”</b>                        | means a registered disability savings plan within the meaning of the Tax Act.   |
| <b>“Redemption Date”</b>             | means the dates upon which redemptions of Shares may be effected, being March 31, June 30, September 30 and December 31 of each year.   |
| <b>“Redemption Limit”</b>            | means the maximum allowable amount payable by the Corporation in respect of a redemption of any class of Common Shares during a calendar quarter, which is equal to the greater of \$150,000 per calendar quarter or 1.25% of Assets Under Management per quarter or upon the Board’s discretion.   |

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| <b>“Redemption Notes”</b>       | means the unsecured subordinated promissory notes of the Corporation that may be issued at the discretion of the Corporation when the Redemption Limit is exceeded.   |
| <b>“Redemption Price”</b>       | means the redemption price per Common Share in the event of a redemption of any Common Share, equal to a percentage of the Net Asset Value of such Common Share, as of the last Valuation Date, as set out in <b>Item 5.3 - Redemption of Common Shares</b> .   |
| <b>“Registered Participant”</b> | means a Participant who is a registered holder of Common Shares at any time and from time to time, as shown on the register maintained by or on behalf of the Corporation for outstanding Common Shares and who has enrolled in the DRIP.   |
| <b>“RESP”</b>                   | means a registered education savings plan within the meaning of the Tax Act.  |
| <b>“RRIF”</b>                   | means a registered retirement income fund within the meaning of the Tax Act.  |
| <b>“RRSP”</b>                   | means a registered retirement savings plan within the meaning of the Tax Act.   |
| <b>“Securities Act”</b>         | means the <i>Securities Act</i> (Alberta), as may be amended or supplemented.   |
| <b>“Selling Agents”</b>         | means registered dealers, financial advisors, sales persons or other eligible persons under applicable securities laws engaged to assist in selling Shares in connection with the Offering.   |
| <b>“Selling Commissions”</b>    | means the commissions, dealer fees, marketing fees and other compensation payable to selling agents who sell or assist in selling the Shares under the Offering and who are not precluded from receiving such commissions, dealer fees, marketing fees or other compensation under applicable securities law, but does not include any Fund Management Fees. See <b>Item 7 - COMPENSATION PAID TO SELLERS AND FINDERS</b> . |
| <b>“Shares”</b>                 | means any combination of Class A, D, F, and I Shares.   |
| <b>“Shareholders”</b>           | means a registered holder of Common Shares at any time and from time to time, as shown on the register maintained by or on behalf of the Corporation for outstanding Common Shares.   |
| <b>“Subscriber”</b>             | means a person subscribing for and purchasing Shares pursuant to the Offering.  |
| <b>“Subscription Agreement”</b> | means a subscription agreement to be executed by each Subscriber providing for the purchase of Shares in the form provided by the Corporation.  |
| <b>“subsidiary”</b>             | has the meaning given in the Act.   |
| <b>“Tax Act”</b>                | means the <i>Income Tax Act</i> (Canada) RSC 1985, c.1 (5 <sup>th</sup> Supp.) and the regulations thereunder, as amended from time to time.  |
| <b>“TFSA”</b>                   | means a tax-free savings account within the meaning of the Tax Act.   |
| <b>“Total Liabilities”</b>      | means the aggregate value of the liabilities of the Corporation, including any liabilities in respect of Redemption Notes.  |
| <b>“Valuation Date”</b>         | means the date that is within 30 days after the end of each quarter, whereby the Net Asset Value of each class of Common Shares is determined as at the end of such quarter.  |

“\$”

means Canadian Dollars.

In this Offering Memorandum, unless the context otherwise requires, grammatical variations of the words and terms in this Glossary have meanings corresponding to the meanings given in this Glossary. Without limiting the generality of the foregoing, words and terms in the Glossary that give the singular number only include the plural and vice versa, and words and terms importing the masculine, feminine or neuter gender include the other genders.

In this Offering Memorandum, unless expressly modified by the words “only” or “solely”, the words “include”, “includes” or “including”, when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters but rather are to be construed as meaning “include(s) without limitation” or “including without limitation” (as the context requires) and permitting such general term or statement to refer to all other items or matters that could reasonably fall within its broadest possible scope.

In this Offering Memorandum, unless the context otherwise requires, terms such as “we”, “us” and “our”, – are meant to refer to CannaIncome, and terms such as “you” are meant to refer to Subscribers who purchase Common Shares under the Offering, thereupon becoming Shareholders.

## ITEM 1 - USE OF AVAILABLE FUNDS

### 1.1 Funds

There is no minimum or maximum Offering amount. The Corporation will conduct a continuous Offering until such time as the Corporation determines it is in the best interests of the Corporation to terminate the Offering. The table below is provided for illustrative purposes and represents an example of the Available Funds under the Offering (being Gross Offering Proceeds less Selling Commissions and estimated Offering costs) that would be available to the Corporation based on an Offering of \$25,000,000. The actual amounts raised by the Corporation may be greater or lesser than \$25,000,000.

|   |   | <b>Illustrative Offering of<br/>\$25,000,000<sup>(1)</sup></b> |
|---|---|--|
| A | Total amount to be raised by the Offering             | \$25,000,000   |
| B | Selling Commissions <sup>(2)</sup>                    | \$2,125,000  |
| C | Estimated Offering Costs <sup>(3)</sup>               | \$250,000  |
| D | <b>Available Funds: D = A – (B + C)<sup>(4)</sup></b> | \$22,625,000   |
| E | Additional sources of funding required                | Nil  |
| F | Working capital deficiency                            | Nil  |
| G | <b>Total: G = (D+E)-F</b>                             | <b>\$22,625,000</b>  |

#### Notes:

- (1) There is no minimum or maximum Offering. The Corporation will offer an unlimited number of Shares on a continuous basis with Closings expected to occur on a monthly basis. It is not possible to determine the size of the Offering or the amount of Available Funds. The subscription price will vary depending on the NAV of the Corporation at the relevant time.
- (2) For illustrative purposes, the sample Offering assumes that all Shares are issued through Selling Agents, which assumes the maximum amount of commissions and fees in respect of administrative matters in connection with the Offering is up to 8.5% of the gross proceeds of the Shares.
- (3) The estimated costs of up to \$250,000 include costs incurred in connection legal, advertising, marketing and accounting services associated with the Offering.
- (4) The Available Funds may not be sufficient to accomplish the Corporation’s objectives. The Corporation intends to raise sufficient funds through equity financing to fund the business of the Corporation. The Corporation may, from time to time, raise capital through the issuance and sale of securities of the Corporation. The Corporation may, to the extent available on acceptable terms, obtain debt financing on commercially reasonable terms up to a maximum amount equal to 25% of the Assets Under Management at the time of borrowing. No alternate financing has been arranged for the Corporation. There is no assurance that alternative financing will be available on

acceptable terms or at all. There is no assurance that the Corporation will have adequate working capital to meet the anticipated requirements described in this Offering Memorandum. See **Item 8 - RISK FACTORS**.

## 1.2 Use of Available Funds

The table below represents the estimated use of the Available Funds by the Corporation, assuming the illustrative Offering of \$25,000,000 and investments in accordance with the Corporation's investment objectives.

| Description of intended use of Available Funds listed in order of priority <sup>(1)</sup> | Illustrative Offering of<br>\$25,000,000 |
|---|--|
| Investment in Cannabis Investments  | \$22,125,000                             |
| General working capital purposes  | \$500,000                                |

### Notes:

- (1) The above represents an estimate of the allocations of the Available Funds based on the Corporation's investment objectives and current business conditions. However, there is no assurance that unforeseen events or changes in business conditions will not result in the allocation of Available Funds in a manner other than is described in this Offering Memorandum. Any such reallocation of the Available Funds would be substantially limited to the category set forth above. Pending such uses, the Corporation intends to invest such funds in short term, interest bearing securities.

## 1.3 Reallocation

We intend to spend the Available Funds as stated. We will reallocate funds only for sound business reasons. However, any reallocation of funds other than for the purpose of making Cannabis Investments and otherwise operating the Corporation in the manner set out herein will require the approval of Shareholders by Ordinary Resolution.

## 1.4 Fees and Expenses

The Corporation has multiple Classes of Shares that have different fees associated with them. Each Class of Shares is responsible for the fees attributable to that class. All Shares of a particular Class are entitled to participate *pro-rata* with other Shares of the same Class with respect to: (a) payments or distributions made by the Corporation to the Shareholders of that Class; and (b) upon liquidation of the Corporation, in any distributions to Shareholders of that Class of net assets of the Corporation remaining after satisfaction of outstanding liabilities. Each Class of Shares are subject to different fees and commissions applicable to the sales of their class of Shares, and, as a result, the Net Asset Value will differ over time. See **Item 7.1 - Commissions and Fees**.

### 1.4.1 Asset Management Fee

The Asset Management Fee is the fee payable by the Corporation to the Asset Manager pursuant to the Asset Management Agreement, in exchange for which the Asset Manager will provide the Corporation with various Asset Management Services. See **Item 2.7.1 - Asset Management Agreement**.

Each quarter, the Asset Manager will invoice, and the Corporation shall pay to the Asset Manager, compensation in the amount of 0.50% of Assets Under Management (i.e., 2.00% per annum), payable on the 15th of the month following the end of the quarter for the services to be provided during that quarter.

In addition to the fee described above, the Asset Manager shall also invoice the Corporation monthly on the tenth day of each month for the previous month's expenses charged on the Asset Manager's vendor accounts in respect of its services to the Corporation pursuant to the Asset Management Agreement. Such invoices shall be due and payable within 10 days of the Corporation's receipt of such invoices and shall be set forth with a reasonable level of detail including copies of vendor invoices as appropriate. See also "1.4.2 – Performance Bonus" and "1.4.3 – Fund Management Fees" below.

### 1.4.2 Performance Bonus

The Performance Bonus, if earned, is payable by the Corporation to the Asset Manager pursuant to the Asset Management Agreement and is calculated as follows: if in a calendar year the Consideration exceeds the Hurdle Rate, then the Asset Manager will be entitled to an amount equal to 20% of such Consideration in excess of the Hurdle Rate. "Hurdle Rate" means the mark where in a calendar year the Consideration exceeds, in the aggregate, 108% of the purchase price paid by the Corporation for such investments. For example, if the Corporation paid \$100 per share for

an investment in Company X, and subsequently sold the investment for \$120 per share, then the Asset Manager would be entitled to a Performance Bonus equal to \$2.40  $((120 - 108) \times 20\%)$  multiplied by the number of shares sold.

However, if in a calendar year the Consideration is less than the purchase price for such investments in the aggregate, then the Hurdle Rate for the next ensuing calendar year will be increased by an amount equal to the percentage loss realized by the Corporation. This increase will be cumulative if losses occur in consecutive calendar years.

By way of example, if in a calendar year the Corporation suffered a 50% loss on the investments sold by it in that year, then for the next calendar year the Hurdle Rate will be increased by 50% to 112%. Provided the Corporation does not incur a loss in such next calendar year, then the Hurdle Rate will return to 108% in the following calendar year. However, if the Corporation were to incur another 50% loss on investments in the next calendar year, then the Hurdle Rate will be increased by another 50% to 118%.

### **1.4.3 Fund Management Fees**

The Fund Management Fees are the fees payable by the Corporation to the Fund Manager, pursuant to the Fund Management Agreement, in exchange for which the Fund Manager provides the Corporation with various Fund Management Services. See **Item 2.7.2 - Fund Management Agreement**.

The Fund Manager is entitled to the following Fund Management Fees for performing the Fund Management Services: \$9,500 per month plus GST.

The Asset Manager may pay a portion of its fees to the Fund Manager, or an affiliate of the Fund Manager, in respect of services provided by the Fund Manager, or an affiliate, to the Asset Manager from time to time.

In the event the Fund Management Agreement is terminated prior to the end of its term, the Fund Manager will be entitled a termination fee equal to three months of Fund Management Fees.

## **ITEM 2 - BUSINESS OF THE CORPORATION**

### **2.1 Structure**

#### The Corporation

The Corporation is a corporation incorporated under the *Canada Business Corporations Act* on January 11, 2018. The head and registered office of the Corporation is located at 300 Roslyn Building, 400 – 5<sup>th</sup> Avenue SW, Calgary, Alberta T2P 0L6.

The Board is comprised of Arthur H. Kwan, Raj Grover (independent), and Jeremy Ross (independent). See **Item 3 - INTERESTS OF BOARD, MANAGEMENT AND PRINCIPAL HOLDERS**.

The fiscal year end of the Corporation is December 31<sup>st</sup>. The Corporation currently qualifies as a “public corporation” and a “mutual fund corporation” for purposes of the Tax Act. See **Item 6.1 - Certain Canadian Federal Income Tax Considerations** and **Item 8 - RISK FACTORS**.

The Corporation is permitted to issue an unlimited number of Common Shares. The Corporation currently has twenty-six Classes of shares, with four classes being offered as Class A, B, F and I Shares, as further described herein. In addition to the Classes of Shares, the Corporation may create and issue additional classes of Common Shares in the future. However, the Corporation will not create any Class of Common Shares or any other equity security that has a preference to the Class A, B, F and I Shares over the distribution cash or entitlement to assets on disposition or dissolution. As at the date of this Offering Memorandum, no such additional Classes of Common Shares have been issued by the Corporation.

All of the Classes of Shares have the same investment objective, strategies and restrictions but differ with respect to one or more of their features, such as fees or distributions. The assets of all Classes of Shares are combined into a single pool to create one portfolio for investment purposes.

### Asset Manager

The Asset Manager acts as the promoter of the Corporation and provides Asset Management Services to the Corporation pursuant to the Asset Management Agreement. The Asset Manager is entitled to the Asset Management Fee from the Corporation from time to time for performing the Asset Management Services, as well as the Performance Bonus, if earned. See **Item 2.7.1 - Asset Management Agreement** and **Item 1.4.1 - Asset Management Fee**.

### Fund Manager

Qwest Investment Fund Management Ltd., a corporation incorporated under the provisions of the *Canada Business Corporations Act* with its principal office located at Suite 732, 1055 Dunsmuir St., Vancouver, B.C. V7X 1L2, has been appointed as the Fund Manager of the Corporation pursuant to the Fund Management Agreement. The Fund Manager's duties consist of performing the various Fund Management Services. The Fund Manager is entitled to the Fund Management Fees from the Corporation from time to time for performing the Fund Management Services. The Corporation is a connected issuer of the Fund Manager. See **Item 2.7.2 - Fund Management Agreement, Item 1.4.3 - Fund Management Fees, Item 7 - COMPENSATION PAID TO SELLERS AND FINDERS**, and **Item 7.2 - Related and Connected Issuers**.

Don Short will act as Portfolio Manager of the Corporation on behalf of the Fund Manager. A brief description of Mr. Short's prior experience is set out below.

#### ***Don Short***

Mr. Short is a Senior Vice President and Portfolio Manager of Qwest Investment Management Corp.; Senior Vice President, Portfolio Manager and director of the Fund Manager and Senior Vice President, Portfolio Manager and director of Qwest Funds Corp. Mr. Short, based in Calgary, Alberta, has been involved as an investment manager and equity analyst since the early 1990s.

Mr. Short was the President and Portfolio Manager of Origin Capital Management Ltd. ("**Origin**") for approximately two years prior to joining the Fund Manager in 2010. Origin was a Calgary based investment management company that he founded which specialized in the energy sector. At Origin, Mr. Short managed several private equity funds and the Rhone flow through limited partnerships. Prior to establishing Origin, Mr. Short was an oil and gas equity analyst at Raymond James Ltd. from 2003 to late 2005. There he was responsible for Canadian energy and royalty trust research. From 2001 to 2003, he was a founder and principal of Core Partners Inc., a business advisory services firm. From 1995 to 2001, Mr. Short was an institutional equity salesman and investment analyst with First Energy Capital Corp., providing Canadian energy industry research focused on institutional sales coverage. From 1991 to 1994, Mr. Short was an energy market analyst for Northridge Canada Inc. where he researched NYMEX natural gas price behavior and also developed and managed one of the early offerings in Canada of an oil and gas flow-through limited partnership. Mr. Short holds both a Bachelor of Commerce and a Bachelor of Science (in Computer Science and Mathematics), with distinction, from the University of Calgary and is a licensed Portfolio Manager and Investment Counsellor. Mr. Short is also a Chartered Financial Analyst holder.

You can contact the Fund Manager at [info@qwestfunds.com](mailto:info@qwestfunds.com). For further information on the Fund Manager see its website at [www.qwestfunds.com](http://www.qwestfunds.com).

### Transfer Agency & Registrar

Alliance is the registrar and transfer agent for the Shareholders. Alliance maintains the register of Shareholders and the register of transfers of the Common Shares.

### Administrator

The Administrator will provide administration support and access to the online accessible client reporting through the "Issuer Edge System" pursuant to the system license agreement dated July 5, 2019.

## 2.2 Our Business

### 2.2.1 Our Experience

The management of the Asset Manager, the Board and the advisory board of the Corporation, collectively have many years of experience in private and public market investment, investment banking, and capital markets including, the cannabis industry. Current and past positions with cannabis companies have included: Founder, Co-Founder, Chief Executive Officer, Chief Strategy Officer, Director, and Vice President.

### 2.2.2 Activities of the Corporation

The Corporation was established for the purpose of investing in the Cannabis Investments, which include investments in a variety of sub-sectors within the cannabis industry including, but not limited to, cultivation, production, extraction, ancillary services, and distribution. With a focus on risk mitigation, the Corporation will be evaluating global opportunities in addition to domestic opportunities in Canada and the United States.

The Corporation's investment strategy is focused on revenue generating business, which may or may not have profitable operations at the time of investment. In addition, the Corporation may diversify in some "start-up" businesses which may not currently be generating revenues at the time of investment.

The Corporation intends to seek to negotiate the right to appoint directors or obtain observer rights with respect to each of the private companies in which it invests. If a representative of the Corporation sits on the board of any company in which it invests, the board member will act in the best interest of the company, and will not be an agent of the Corporation. The Corporation does not believe this will give rise to a material conflict of interest, as the interests of the board member and the interests of the Corporation will be aligned, i.e., to operate the business of the investee company in the most efficient way possible with a view to maximizing shareholder returns.

The Corporation generally will not invest more than 10% of the Net Proceeds in securities of any single company. The Corporation will generally seek to invest up to 80% in the Private Portfolio, up to 20% in the Public Portfolio and the balance in cash or cash equivalent securities. The actual allocation between the Private Portfolio and the Public Portfolio may vary, perhaps materially, based on the investment opportunities available and the prevailing market conditions in the cannabis and cannabis-related industries.

### 2.2.3 Portfolio

As of the date of this Offering Memorandum, there are 20 cannabis-based portfolio investments within the Corporation. Management of the Corporation prides itself in offering investors a safer way to invest in cannabis focused issuers. Management of the Corporation employs three main risk mitigation strategies when seeking to invest in cannabis focused issuers, as described below.

Firstly, the Corporation is diversified as it currently has investments across the entire value chain of the cannabis sector:

- **Cultivation** –holdings include Kronic Relief Inc. / Rocky Mountain Marijuana Corp. ("RMMI")
- **Extraction** – holdings include American CBD Extraction Corp. / World Class Extraction Inc.
- **Distribution** – holdings include High Tide Inc. / Pineapple Express Inc.
- **Ancillary Services** – holdings include Evergreen Pacific Insurance Corp.
- **Pharmaceutical / Nutraceuticals** – holdings include Scientus Pharma Inc. (HydRx Farms Ltd.) / Axiomm Technologies Ltd. (formerly known as Bien Brands)

Secondly, the Corporation is diversified geographically with investments across several regions:

- **Canada** – for example, Scientus Pharma Inc. – Based in Whitby, Ontario, Scientus Pharma Inc. is one of a limited number of Licensed Producers in Canada authorized to conduct research and development and fully handle cannabinoid products with the ability to wholesale, buy, process and sell cannabinoid derivatives, from and to other Licensed Producers, as well as international markets.
- **Jamaica** - for example, Kronic Relief Holdings Corp. - Kronic Relief Jamaica Ltd., a subsidiary of Kronic Relief Holdings Corp., has received its conditional licenses from the Cannabis Licensing Authority (CLA) of Jamaica.
- **Germany** - for example, Franchise Cannabis Corp. - In 2019, Franchise Cannabis Corp. acquired ACA Muller ADAG Pharma Vertriebs GmbH (“**ACA Muller**”)(which sells to over 1,200 pharmacies in Germany). ACA Muller was awarded the first medical cannabis license in the country, sold the first legal gram of cannabis and is the leading distributor in Germany. In 2019, ACA Muller also signed a binding agreement to acquire a large, export-oriented pharma distributor with a cannabis division. Essentially, ACA Muller is their access point to the pharmaceutical networks within Germany. The distribution business will provide the company with large wholesale relationships across the EU.
- **Netherlands** - for example, High Tide Inc. - In 2019, High Tide acquired SJV B.V. and SJV2 B.V., which together operate under the name “Grasscity”. Based in Amsterdam, the Netherlands, Grasscity.com is the world's #1 online store for smoking accessories and cannabis lifestyle products and the most searchable smoking accessories retailer, with approximately 5.8 million site visits annually.
- **United States** - for example, Stem Holdings Inc. (“**Stem Holdings**”) - Stem Holdings' award-winning owned- and partner-brands including TJ's Gardens™ and Yerba Buena™ are the foundation of the company's expansion within current as well as new segments and markets, with exceptional and disruptive brands, and products that benefit well-being. They currently have operations in Oregon, Oklahoma, and Nevada.

Finally, Management of the Corporation has a strong bias towards making investments in gross over-riding royalties, senior secured loans with warrants, and secured convertible debentures with warrants.

A description of the Corporation's top 10 Cannabis Investment holdings in the Corporation's investment portfolio is set out in Schedule “A” attached hereto.

#### 2.2.4 Board

The Corporation's Management is overseen by the Board which meets quarterly. See **Item 3.2 - Management's Experience**.

#### 2.2.5 Advisory Board

The Corporation has formed an advisory board to provide ongoing non-binding advice and direction to Management. The advisory board will meet on a regular basis as required to review the progress of the Corporation and provide guidance as well as referrals to sources of funding and investment opportunities. All of the members of the Advisory Board, other than Raj Grover, are independent of the Corporation. As at the date hereof, the members of the advisory board and additional biographical information for each member are set out below.

**Raj Grover** – Mr. Grover is also a member of the Board. See **Item 3.2 - Management's Experience**.

**Ronan Levy, JD** – Mr. Levy is currently the Chief Strategy Officer of Trait Biosciences Inc. (“**Trait**”). Prior to joining Trait, Mr. Levy served as Senior Vice President, Business and Corporate Affairs at Aurora Cannabis Inc., which he joined after Aurora acquired CanvasRx Inc. in 2016, a company he co-founded. He is also co-founder of Grassfed Ventures Inc., a private equity and advisory firm focused on the cannabis and biotechnology industries. Mr. Levy also serves on the Board of Directors of Province Brands of Canada. Mr. Levy holds a Juris Doctor and a Bachelor of Commerce degree from the University of Toronto.

**Clifford Starke** – Mr. Starke is the Chairman, President and Chief Executive Officer of Franchise Cannabis Corp. (“**Franchise Cannabis**”), a Canadian fully integrated seed-to-sale medical cannabis company with a diverse portfolio

of cultivation, processing and distribution operations in Germany, Denmark, Uruguay, and Colombia. Franchise Cannabis is internationally focused with vertically integrated operations servicing the European medical market with production in the Latin American region.

**Ray Yue, BSc (Pharmacy)** – Mr. Yue is a clinical pharmacist, serial entrepreneur, and healthcare innovator. He is a Co-Founder and Director of Canndara Canada Inc., a cannabis-based apothecary operating across four provinces. Mr. Yue is also the Chairman and Co-Founder of Imagine Health Centres Inc. and Femme Homme Medical. He is a member of Young Presidents' Organization, a City of Edmonton Top 40 under 40 Alumni and was selected as one of Canada's Top 40 Canadian Entrepreneurs in 2017 by Ivey Business School.

## **2.2.6 Investment Objectives & Process**

The primary investment objective of the Corporation is to achieve superior risk-adjusted returns through long-term capital appreciation by investing in securities or other investments within the cannabis sector, and primarily in private cannabis company securities.

### Canadian Industry Landscape

Cannabis in Canada is legal for both recreational and medicinal purposes. Medicinal use of cannabis was legalized nationwide on July 30, 2001 under conditions outlined in the Marihuana for Medical Purposes Regulations, later superseded by the Access to Cannabis for Medical Purposes Regulations, issued by Health Canada and seed, grain, and fibre production was permitted under license by Health Canada. The federal Cannabis Act came into effect on October 17, 2018 and made Canada the second country in the world, after Uruguay, to formally legalize the cultivation, possession, acquisition and consumption of cannabis and its by-products. Canada is the first G7 and G20 nation to do so.<sup>1</sup>

Momentum to federally legalize cannabis in the U.S., the world's largest market, has moved in a positive direction. Several states have legalized recreational use of the drug and more are on the way over the next year, while new legislation moves through U.S. Congress to allow U.S. cannabis companies to conduct financial services without fear of penalty.<sup>2</sup>

According to Haywood Research<sup>3</sup>, adult-use cannabis sales in Canada totaled \$1.2B through the end of November 2019. On a cumulative basis in 2019, total cannabis retail sales have reached approximately \$1.04B<sup>4</sup>. As noted above, Canada was the second country in the world to legalize cannabis, therefore Management believes Canada is at the forefront of the cannabis industry with one of the fastest growing medical cannabis industries. Management expects prevalence of use to continually increase, with flower and edible now legal, as cannabis starts to appeal to a broader audience with significant uptick following sale of value-added formats.

### *Canadian Spending on Cannabis versus Alcoholic Beverages and Tobacco*

The following charts indicate recent consumption patterns in Canadian households.<sup>5</sup>

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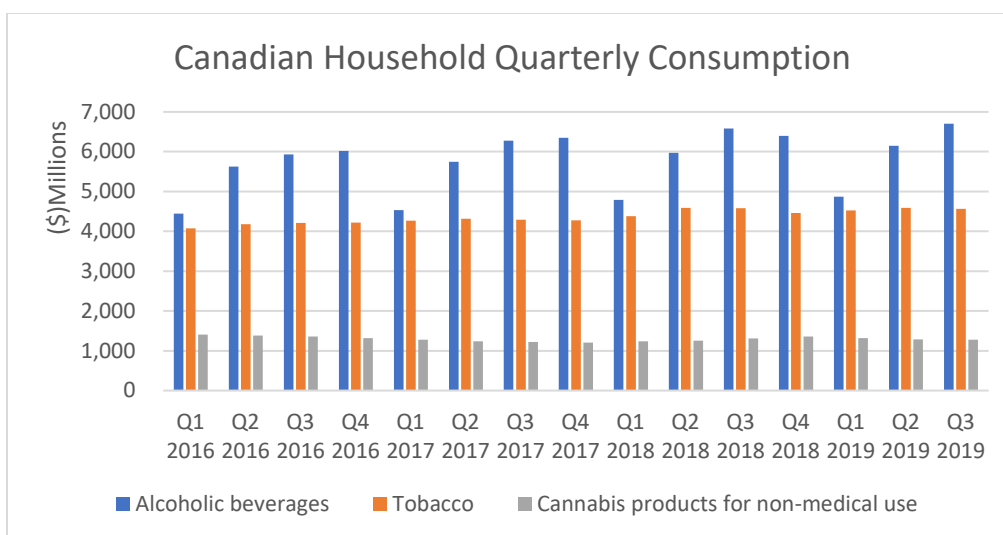
<sup>1</sup> Source: <https://www.osler.com/en/resources/regulations/2018/canada-first-g7-country-to-legalize-retail-cannabis>

<sup>2</sup> Source: <https://www.bnnbloomberg.ca/the-good-the-bad-and-the-ugly-from-canada-s-first-year-of-legal-pot-1.1330342>

<sup>3</sup> Source: Haywood Capital Markets, Cannabis Sector, January 2020, page 6

<sup>4</sup> Source: Haywood Capital Markets, Cannabis Sector, January 2020, page 6

<sup>5</sup> Source: Statistics Canada. Table 36-10-0124-01 Detailed household final consumption expenditure, Canada, quarterly. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610012401>



| Q3 2019 Canada Household consumption expenditure (\$ millions) |       |
|--|-------|
| Total medical and non-medical use                              | 1,432 |
| Medical Use  | 155   |
| Non-medical purposes (licensed)                                | 417   |
| Non-medical purposes (unlicensed)                              | 860   |

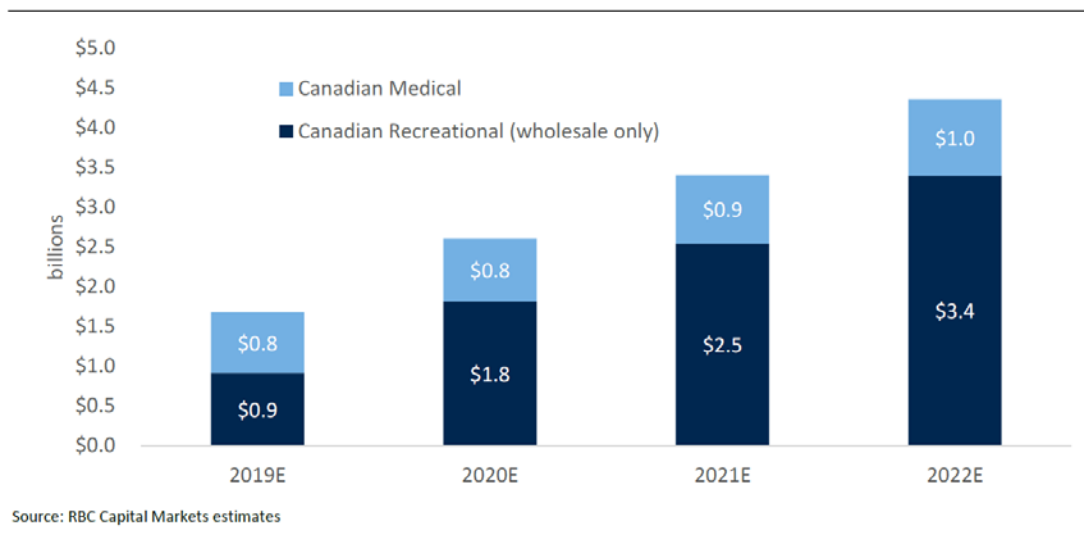
## Value-Added Products

The two most common active ingredients in cannabis are the cannabinoids tetrahydrocannabinol or ‘THC’, which provides the “high”, and cannabidiol, which is usually associated with the drug’s therapeutic benefits. Smoking cannabis remains the most popular method of consumption, but recently, the use of cannabis concentrates, like oils for vaping or infused products like beverages, has increased. These derivative products allow users to forego smoking while receiving the same psychoactive and/or therapeutic benefits. From a cannabis producer perspective, these cannabis concentrates are attractive as they command relatively high prices relative to their costs of production, which can help offset dried flower pricing declines. According to RBC Capital Markets, Canadian cannabis producers have already developed an array of infused products that can appeal to more than just the traditional cannabis user – effectively increasing the addressable markets of these cannabis producers. Given this potential, RBC Capital Markets believes the market for legal cannabis can expand beyond users who simply migrate from illicit to legal channels. As a result, RBC Capital Markets expects licensed producers can realize potentially \$4.4 billion in Canadian wholesale and medical sales by 2022 (RBC notes this excludes retail store revenue owned by licensed producers and international revenues).<sup>6</sup>

### *Canadian Wholesale and Medical Revenues for Cannabis Producers*

<sup>6</sup> Source: RBC Capital Markets, *Cannabis industry primer: from crop to consumer*, December 11, 2018, page 7

The following chart shows the projected revenues generate in the Canadian medical and recreational markets.<sup>7</sup>



### Marijuana Infused Products

Management believes that the cannabis opportunity extends well beyond plant cultivators, particularly in marijuana infused products which allow a user to reap the effects of marijuana without smoking it. Marijuana infused products are available as edibles (*e.g.*, baked goods and candies) and beverages. However, marijuana infused products can extend to botanicals, tinctures, soups, snacks, entrees, and beyond.

With the legalization of marijuana in Canada, cannabis has become more commonplace, unlocking opportunities for many businesses to create new products that offer different ways to ingest cannabis. Management has observed that marijuana cultivators and product manufacturers are now creating unique, cannabis-infused products, ranging from beauty treatments to food and beverages.

### International Markets

International markets provide additional upside potential for cannabis producers as they look beyond domestic opportunities. Medical cannabis legislation, especially in Europe, has become more favourable over the past several years, highlighted by Germany implementing a legalized and reimbursed system in 2017. The European Union, which in aggregate is many times larger than Canada and has medical markets that are just now starting to develop, presents an attractive, yet largely untapped, market for cannabis producers. For perspective, RBC Capital Markets believes the European market could present a \$6.8 billion opportunity for producers even with less than 1% of the population using the drug medicinally.<sup>8</sup>

### Hemp CBD

One variety of the sativa plant is hemp, which is generally used for an array of industrial purposes. It can be refined into different commercial items including paper, textiles, plastics, food, and more. The key distinction between hemp and marijuana is that the former contains less THC (<1%) and more CBD than the latter. The plant can generally yield far more CBD than marijuana. Additionally, legal production is more broad-based than marijuana given hemp's low THC content. As such, hemp is important given its potential to function as a source of CBD supply. Management

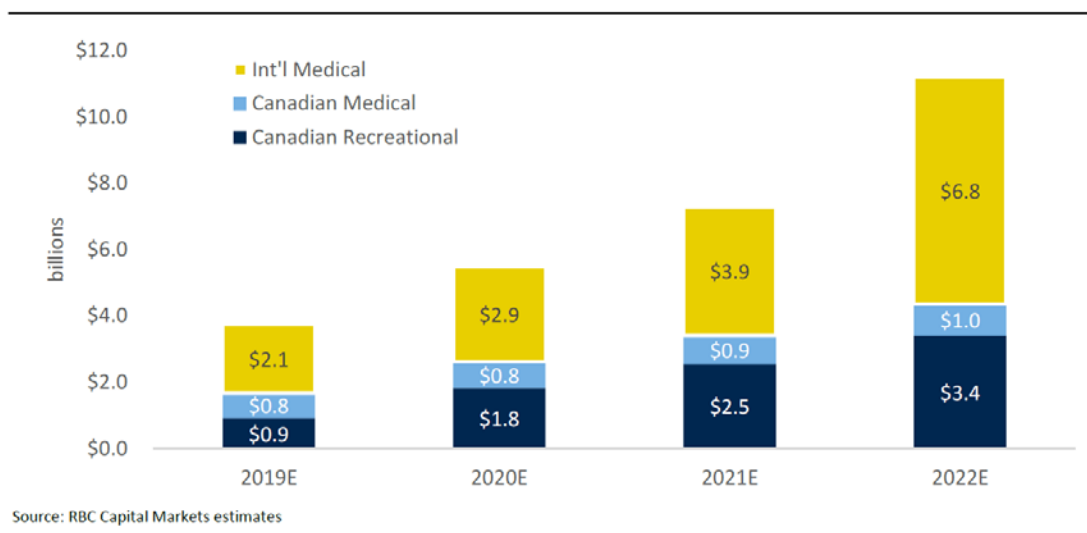
<sup>7</sup> Source: RBC Capital Markets, *Cannabis industry primer: from crop to consumer*, December 11, 2018, page 7

<sup>8</sup> Source: RBC Capital Markets, *Cannabis industry primer: from crop to consumer*, December 11, 2018

considers the medical hemp CBD market as one that could be disruptive to the traditional Canadian cannabis cultivation market.<sup>9</sup>

#### *Upside Potential from International Medical Markets*

The following table sets out the projected size of the international medical cannabis market, in addition to the Canadian medical and recreational markets.<sup>10</sup>



#### **2.2.7 Liquidity Event**

An investment in Shares should be considered a long-term investment. In the short term, a liquidity event for holders of Shares is not anticipated, other than receiving cash distributions (if applicable) from the Corporation or in the case of redemptions of Shares. While the Shares have rights of redemption, those rights are subject to certain restrictions. See **Item 5.3 - Redemption of Common Shares**.

At the appropriate stage in the development of the Corporation's business, the Corporation may consider an initial public offering and listing of its Common Shares on a stock exchange or quotation system or a sale of the Corporation Property, a sale of all Common Shares, arrangement, merger, leveraged buyout or other transaction in order to provide liquidity to Shareholders. There is no assurance that a listing of Common Shares or other liquidity event will occur. No stock exchange or quotation system has approved the listing or quotation of the Shares and the Corporation has not made an application to a stock exchange or quotation system in respect of the listing or quotation of the Shares. There is currently no market through which the Shares may be sold and Shareholders may not be able to resell Shares purchased under this Offering. Whether or not the Corporation will be able to provide liquidity to Shareholders will depend upon a large number of factors applicable to the cannabis industry and the capital markets, many of which are beyond the Corporation's control or influence. The Corporation has not developed strategies in connection with any such liquidity event and is unable to accurately quantify the time horizon for such an event. See **Item 8 - RISK FACTORS**.

#### **2.2.8 Competition**

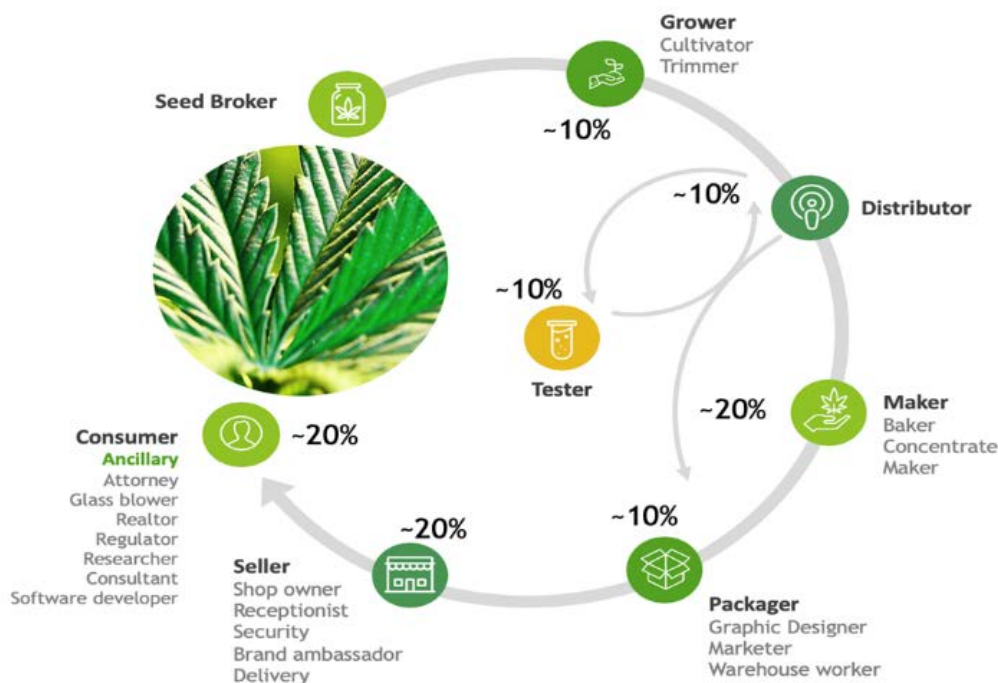
There has continued to be investment interest in the Cannabis space. From Management's perspective, the Corporation represents a unique investment opportunity for investors to gain exposure in the cannabis space as there are only a limited number of other funds that have an experienced management team and a focus on opportunities with private companies that have visibility to near term catalysts.

<sup>9</sup> Source: RBC Capital Markets, Cannabis industry primer: from crop to consumer, December 11, 2018, pages 20, 31, 35

<sup>10</sup> Source: RBC Capital Markets, Cannabis industry primer: from crop to consumer, December 11, 2018, page 8

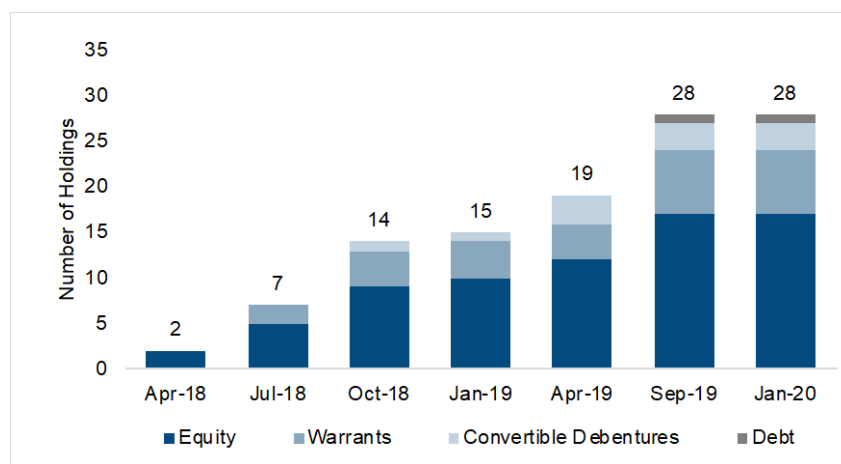
## 2.3 Development of Business

The Corporation was founded in 2018 for the purpose of investing in Cannabis Investments. The focus of the Corporation is to generate optimum returns with mitigation of risk through diversification. The Corporation has investments throughout the value chain of the cannabis industry. The Corporation has exposure to cultivators, distribution, marketing, insurance and other ancillary services that are focused on the cannabis industry.<sup>11</sup>



Although the Corporation was originally invested in equity positions, with the mindset of risk diversification, the Corporation has exposure to different investments ranging from senior secured debt, convertible debentures and warrants. Currently, the Corporation has a bias when looking at opportunities at senior secured positions and/or royalties with equity upside through warrants.

Below is chart that shows the number of investments and types of securities Corporation currently has exposure to.<sup>12</sup>



<sup>11</sup> Source: CannaIncome Fund Corp.

<sup>12</sup> Source: CannaIncome Fund Corp.

Since the inception, the Corporation has realized some investment gains that have resulted in a declared a quarterly dividend (see section 5.4), implemented a dividend reinvestment plan (see section 2.7.3) and established a redemption policy (see section 5.3). Previous holdings that the Corporation has exited include: Green Organic Dutchman Holdings Ltd.; PLUS Products Inc.; Camarico Investment Group Ltd.; and 4Front Ventures Corp.

## 2.4 Long-Term Objectives

The Corporation's long-term objectives are to consistently increase the net asset value per Share, raise capital, and make investments in the global cannabis sector.

## 2.5 Short Term Objectives

The objectives of the Corporation for the 12 months immediately following the date of this Offering Memorandum are discussed below.

| What we must do and how we will do it  | Target completion date or, if not known, number of months to complete | Our cost to complete     |
|--|---|--------------------------|
| Continue raising funds through the offering of Shares through authorized dealers, with a target of \$5 million per annum | Ongoing   | \$500,000 <sup>(1)</sup> |
| Make Cannabis Investments using the Net Proceeds from the private placement offering of Shares                           | Ongoing   | \$500,000 <sup>(2)</sup> |

### Notes:

- (1) Estimated costs for legal, audit and other professional services and other matters associated with the issuance of Shares. In addition, commissions and fees will be payable in connection with sales of Shares. See **Item 7 – COMPENSATION PAID TO SELLERS AND FINDERS**.
- (2) It is estimated that the Fund's operating expenses will be approximately \$500,000 per year.

## 2.6 Insufficient Proceeds

The Available Funds may not be sufficient to accomplish the Corporation's proposed objectives and there is no assurance that alternative financing will be available. There is no assurance that the Corporation will have adequate working capital to meet its anticipated requirements as described in this Offering Memorandum. See **Item 8 - RISK FACTORS**.

## 2.7 Material Agreements

The following are the material agreements to which the Corporation is currently a party or which have been entered into with a related party:

- (a) Asset Management Agreement;
- (b) Fund Management Agreement;
- (c) Distribution Reinvestment Plan; and
- (d) Stock Option Plan.

A summary of the terms of each material agreement is set out below. Prospective Subscribers may request a copy of each of the material agreements listed above, to the extent any such agreement has been entered into by the parties thereto, by attending at the offices of the Corporation, located at 300 Roslyn Building | 400 – 5th Avenue SW, Calgary, Alberta T2P 0L6 or by contacting Michael Yeung by email at [myeung@cannaincomefund.ca](mailto:myeung@cannaincomefund.ca) and requesting such information.

### 2.7.1 Asset Management Agreement

The Corporation and the Asset Manager have entered into the Asset Management Agreement, whereby the Asset Manager provides certain asset management and administrative services to the Corporation in consideration of

receiving the Asset Management Fee. This summary is qualified in its entirety by reference to the provisions of the Asset Management Agreement, which contains a complete statement of those terms and conditions. The Asset Manager is a related party to the Corporation and the Asset Management Agreement was not negotiated at arm's length between the parties. The material terms of the Asset Management Agreement are summarized below:

- (a) The Asset Manager shall be available to consult with the Board, officers and department heads of the Corporation, at reasonable times upon request of the Corporation, concerning all matters relating to the Asset Management Agreement. The Asset Manager and the Corporation will work together to ensure that all accounts, ledgers and information for the Corporation will be maintained in separate and discreet formats.
- (b) The Asset Manager is to perform functions which include, but are not limited to, the following:
  - (i) Access to and use of the Asset Manager's vendor accounts by the Corporation for its day-to-day activities. The Corporation, in its sole discretion, may allow the Asset Manager to charge on its vendor accounts for the mutual convenience of the Corporation and the Asset Manager, and/or permit the Asset Manager to receive the benefit of discounts available to the Asset Manager; however, all such charges shall be tracked and billed monthly to the Corporation;
  - (ii) Actual travel expenses associated with pre-approved travel by the President and CEO of the Asset Manager or other designated Asset Manager employees, on behalf of the Corporation's business activities;
  - (iii) Acquisition and operation of appropriate computer hardware and software systems and maintenance of in-house networks;
  - (iv) Maintenance and upkeep of facilities utilized by the Corporation except to the extent such duties are reserved to the landlord of such facility; and
  - (v) Maintenance and support of technical equipment and IT systems used by the Corporation in connection with its Calgary location,collectively, the "**Asset Management Services**".
- (c) The Corporation will pay to the Asset Manager the Asset Management Fee from time to time pursuant to the Asset Management Agreement. For a description of the Asset Management Fee, see **Item 1.4.1 - Asset Management Fee**.
- (d) The term of the Asset Management Agreement will remain in effect indefinitely commencing on January 31, 2018, provided that either party may terminate the Asset Management Agreement sooner if the other breaches the Asset Management Agreement and such breach remains uncured for twenty (20) days following delivery of written notice of same to the breaching party. In addition, either party may terminate the Asset Management Agreement, for any reason, with thirty (30) days written notice to the other party.

## **2.7.2 Fund Management Agreement**

The Fund Manager and the Corporation entered into the Fund Management Agreement on October 1, 2018, whereby the Fund Manager provides certain fund management services to the Corporation, in consideration of receiving the Fund Management Fees. The material terms of the Fund Management Agreement are summarized below:

- (a) The Fund Manager's functions include, but are not limited to, the following:
  - (i) Understanding and monitoring the Corporation's compliance and risk management programs;
  - (ii) Understanding the Corporation's administration process;
  - (iii) Liaising with the Corporation's required service providers;

- (iv) Overseeing compliance with the Corporation's investment objectives and performance;
- (v) Overseeing the preparation of the Corporation's offering documents;
- (vi) Identifying, addressing and disclosing any Conflicts of Interest Matters to the Independent Directors in accordance with the Conflict of Interest Policy;
- (vii) Calculating NAV for each Class of Shares;
- (viii) Overseeing the Corporation's subscription/closing process, redemptions and, if applicable, overseeing the payment of dividends or other distributions;
- (ix) Reviewing the final draft audited annual financial statements and providing approval;
- (x) Ensuring the delivery of Shareholder reports and tax information;
- (xi) Coordinating the opening of applicable bank accounts and custody accounts for the Corporation; and
- (xii) Coordinating the set-up of trust agreement, or similar agreement, to establish the legal structure and terms of the entity,

collectively, the "**Fund Management Services**".

- (b) The Corporation will pay to the Fund Manager the Fund Management Fees from time to time pursuant to the Fund Management Agreement. For a description of the Fund Management Fees, see **Item 1.4.3 - Fund Management Fees**.
- (c) Subject to the provisions for termination set out below, the term of the Fund Management Agreement shall be for the period of time during which any securities issued under the Offering continue to be held by Shareholders. Should the Corporation wish at any time to terminate the Fund Management Agreement, the Corporation will be obligated to provide the Fund Manager with 30 days advance notice of such termination and to pay a termination fee equal to three months of the Fund Management Fees as described in the Fund Management Agreement, and after such payment the Fund Management Agreement shall terminate.
- (d) Either the Corporation or the Fund Manager can terminate the Fund Management Agreement, and the Corporation will not pay a termination fee as described above to the Fund Manager, if the other party is in breach as described below:
  - (i) That other party (the Corporation or the Fund Manager, as the case may be) acts unlawfully, dishonestly or in bad faith in connection with the performance of their respective duties under the Fund Management Agreement or where the other party commits or is convicted for committing a criminal act;
  - (ii) That other party breaches or defaults in respect of any of their material duties or responsibilities under the Fund Management Agreement and such breach or default has not been remedied within thirty (30) days after written notice of the breach or default has been given to the defaulting party by the non-defaulting party; or
  - (iii) That other party has been grossly negligent or committed willful misconduct in the performance of their respective duties hereunder.

The Fund Manager is a connected issuer of the Corporation. Please see **Item 7.2 - Related and Connected Issuers**.

#### **Calculation of Net Asset Value**

The assets of the Corporation include: all cash or its equivalent on hand or on deposit, including any interest accrued; all bills, notes and accounts receivable owned by the Corporation; all shares, debt obligations, subscription rights and other securities owned or contracted for by the Corporation; all stock and cash dividends and cash distributions on the Corporation's securities declared payable to security holders of record on a date on or before a trading day but not yet received by the Corporation; all interest accrued on any fixed interest bearing securities owned by the Corporation which is included in the quoted price; and all other property of the Corporation of every kind and nature including prepaid expenses. The liabilities of the Corporation shall include: all bills, notes, accounts payable and bank indebtedness of which the Corporation is an obligor; all administrative or operating expenses payable or accrued or both; all contractual obligations for the payment of money or property; all allowances authorized or approved by the Fund Manager for taxes (if any) or contingencies; and all other liabilities of the Corporation of whatsoever kind and nature.

The Corporation's portfolio securities are valued at the close of business on each Valuation Date. The value of the portfolio securities and other assets of Corporation will be determined by the Fund Manager or by a valuation agent retained by the Fund Manager, as:

- (a) the value of any cash or its equivalent on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Corporation on a date before the Valuation Date as of which the Net Asset Value is being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Fund Manager or the valuation agent, as the case may be, has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of records of securities owned by the Corporation on a date before the Valuation Date as of which the Net Asset Value is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Fund Manager or the valuation agent, as the case may be, determines to be the fair market value thereof;
- (b) the value of any security that is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Fund Manager or the valuation agent, as the case may be) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Fund Manager or the valuation agent, as the case may be, such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the Valuation Date on which the Net Asset Value is being determined, all as reported by any means in common use;
- (c) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities or as the Fund Manager or the valuation agent, as the case may be, determines to be the fair market value;
- (d) the value of any debt securities will be valued by taking the average of the bid and ask prices on the date upon which the Net Asset Value is calculated;
- (e) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants shall be the current market value thereof;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair value on the Valuation Date on which the Net Asset Value is being determined as determined by the Fund Manager or the valuation agent, as the case may be (generally such asset will be valued at cost until there is a clear indication of an increase or decrease in value, such as successful completion of a subsequent financing round by a private company);
- (g) any market price reported in currency other than Canadian dollars shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Fund Manager or the valuation agent, as the case may be; and

- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Fund Manager or the valuation agent, as the case may be, and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Fund Manager or the valuation agent, as the case may be.

The process of valuing investments for which no published market exists is based on inherent uncertainties, and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold. **See Item 8 - RISK FACTORS.**

If an investment cannot be valued under the foregoing rules or under any other valuation rules required under securities legislation, or if any rules adopted by the Fund Manager or the valuation agent, as the case may be, but not set out under securities legislation are at any time considered by the Fund Manager or the valuation agent, as the case may be, to be inappropriate under the circumstances, then the Fund Manager or the valuation agent, as the case may be, shall use a valuation rule which it considers fair and reasonable in the interests of Shareholders. For greater certainty, if at any time the foregoing rules conflict with the valuation rules adopted under securities legislation, the Fund Manager or the valuation agent, as the case may be, shall use the valuation rules adopted under securities legislation.

### **2.7.3 Distribution Reinvestment Plan**

The Corporation has established the DRIP, which is a distribution reinvestment plan with an effective date of January 30, 2019 for the purposes of offering Eligible Holders a convenient method to reinvest distributions on Common Shares declared and payable to them.

#### Features

Under the DRIP, a Participant may purchase additional Common Shares of the same Class with the cash distributions paid on the Eligible Common Shares which are registered in the name of the Registered Participant or held in a Non-Registered Participant's account maintained pursuant to the DRIP. The price at which Common Shares will be issued from treasury under the DRIP will be calculated by reference to the DRIP Share Price. No commissions, service charges or brokerage fees are payable by Participants in connection with the DRIP.

Distributions in respect of whole and fractional Common Shares (up to six decimal places) purchased under the DRIP will be credited to a Participant's account and will be automatically invested under the DRIP in additional Common Shares until such time as the Participant's participation in the DRIP is terminated.

The Corporation will not issue any fractional Common Shares. All subscriptions and further distributions are rounded down to the nearest whole number. The Corporation accrues notional fractional Common Shares for the account of each Participant and will issue a whole Common Share once an applicable Participant has accrued a sufficient interest to acquire a whole Common Share. Outstanding Common Shares of any class may be subdivided or consolidated in the Corporation's discretion from time to time.

The Asset Manager shall determine the number of Common Shares available to be issued under the DRIP at any time.

#### Participation and Enrolment in the DRIP

Provisions of the DRIP apply to all Participants, but are subject to the administrative practices and requirements of intermediaries through whom Common Shares are held by Non-Registered Shareholders. Those administrative practices and requirements may vary, and Non-Registered Shareholders should contact their intermediary to determine the requirements of such intermediary regarding participation in the DRIP.

In order to be eligible to participate in the DRIP, a Shareholder must be an Eligible Holder. An Eligible Holder who is a registered holder of Common Shares of record may enrol in the DRIP at any time by duly completing and returning a DRIP Enrolment Form to the Plan Agent by close of business on the fifth Business Day prior to a distribution record date for it to be effective on such distribution payment date. Any DRIP Enrolment Form received after such time will be applied to the next applicable distribution record date.

Eligible Holders who are Non-Registered Shareholders may request enrolment in the DRIP through the Plan Agent or the Asset Manager. Once a Participant has enrolled in the DRIP, participation continues automatically unless terminated in accordance with the terms of the DRIP.

Once a Participant is enrolled, on each distribution payment date, the Plan Agent, on behalf of the Corporation, shall promptly pay to the account of the Participants, all cash distributions paid on their Common Shares, which shall be immediately applied to purchase additional Common Shares from treasury (with no action upon the part of the Shareholder) at the then applicable DRIP Share Price as determined by the Plan Agent. The Corporation shall retain such portion of the cash concurrently with the issuance of additional Common Shares from treasury to the Participants.

Non-Resident Shareholders are not eligible to participate in the DRIP. Upon ceasing to be a resident of Canada, a Participant shall forthwith notify the Corporation of same and shall automatically be deemed to cease to be a Participant as of the date the Participant ceased to be a resident of Canada.

A DRIP Enrolment Form may be obtained from the Plan Agent or the Asset Manager at any time upon written request addressed to the Plan Agent or the Asset Manager.

No interest will be paid to Participants on any funds held for investment under the DRIP.

#### *Transfer of Participation Rights*

The right to participate in the DRIP may not be transferred by a Participant.

#### *Termination of Participation*

Participation in the DRIP may be terminated by a Registered Participant once per calendar quarter, effective as of the first distribution record date of the following quarter by notice in writing to the Corporation. Non-Registered Participants can terminate their participation in the DRIP by notifying the Plan Agent or the Asset Manager.

Following such termination, a certificate (or evidence of non-certificated issuance thereof) for the number of whole Common Shares issued to the Registered Participant under the DRIP will be issued to, and in the name of, such Participant, together with a cheque for the value of any remaining fraction of a Common Share held for the account of such Participant. The amount of the payment for any such fraction will be determined by the prevailing DRIP Share Price on the day of termination.

If the notice of termination is received by the close of business on the last Business Day of the calendar year, termination of the Participant's participation in the DRIP will be effective in respect of the next distribution record date of the following year. Otherwise, the termination will be effective in respect of the next succeeding quarter.

For greater certainty, termination by a Participant will not prevent such Shareholder from participating in the DRIP at a later date. No termination requests will be processed between a distribution record date and the related distribution payment date. Normally, a certificate will be sent to a Participant within three weeks of receipt by the Corporation of a Participant's termination request.

After termination of participation in the DRIP, all subsequent distributions will be paid to the former Participant in cash in the usual manner.

#### *Amendment, Suspension or Termination of the DRIP*

The Corporation reserves the right to amend, suspend or terminate the DRIP at any time, but such action shall have no retroactive effect that would prejudice the interest of the Participants. Participants will be sent written notice of any such amendment, suspension or termination.

In the event of suspension or termination of the DRIP by the Corporation, no investment in additional Common Shares on behalf of Participants will be made on the distribution payment date immediately following the effective date of such suspension or termination.

Any Common Share distribution subject to the DRIP and paid after the effective date of any such suspension or termination will be remitted by the Plan Agent to the Participants in cash only, in the usual manner.

#### Rules and Regulations

The Corporation may from time to time adopt rules and regulations to facilitate the administration of the DRIP. The Corporation also reserves the right to regulate and interpret the DRIP as it deems necessary or desirable to ensure the efficient and equitable operation of the DRIP.

#### Proration in Certain Events

The Corporation reserves the right to determine, promptly following each distribution record date, the amount of new equity, if any, to be made available under the DRIP on the distribution payment date to which such record date relates. No assurances can be made that new Common Shares will be made available under the DRIP on a regular basis, or at all.

If on any distribution payment date the Corporation determines not to issue any equity through the DRIP, or the availability of new Common Shares is prorated in accordance with the terms of the DRIP, or for any other reason a Distribution cannot be reinvested under the DRIP, in whole or in part, then Participants will be entitled to receive from the Corporation the full amount of the regular Distribution for each Common Share in respect of which the Distribution is payable but cannot be reinvested under the DRIP in accordance with the applicable election.

#### Price of Common Shares

On each distribution payment date, the Corporation shall promptly pay to the account of the Participants, all cash distributions paid on their Common Shares, which shall be immediately applied to purchase additional Common Shares from treasury (with no action upon the part of the Shareholder) at the then applicable DRIP Share Price. The Corporation shall retain such portion of the cash concurrently with the issuance of additional Common Shares from treasury to the Participants.

#### Costs

There shall not be any commissions, service charges or brokerage fees payable in connection with the issuance of Common Shares under the DRIP. All administrative costs of the DRIP shall be borne by the Corporation.

#### Reports

##### *Registered Participants:*

An account will be maintained by the Corporation for each Participant with respect to purchases of Common Shares under the DRIP for the account of such Participant. An unaudited statement of account regarding purchases under the DRIP will be made available on an annual basis to each Registered Participant. These statements of account are a Registered Participant's continuing record of purchases of Common Shares made on behalf of such Registered Participant pursuant to the DRIP and should be retained for income tax purposes. Registered Participants are responsible for calculating and monitoring their own adjusted cost base in Common Shares for income tax purposes, as certain averaging rules may apply and such calculations may depend on the cost of other Common Shares held by a Registered Participant.

##### *Non-Registered Participants:*

Non-Registered Participants may receive statements of account from their intermediary in accordance with the intermediary's administrative practices. Such statements will constitute such Non-Registered Participant's continuing record of the date and valuation of the acquisition of Common Shares issued pursuant to the DRIP and should be retained for income tax purposes. Non-Registered Participants should contact their intermediary to determine the procedures for requesting current statements.

### No Certificates

No certificates representing Common Shares issued pursuant to the DRIP will be provided to Participants, unless requested by the Participant in writing to the Corporation. Accordingly, the Plan Agent or the Asset Manager will provide you with a letter confirming your holdings pursuant to the DRIP and otherwise.

### Withdrawals

#### *Registered Participants:*

Common Shares purchased under the DRIP will be issued to the Participants by the Corporation and evidenced on the Corporation's register of Common Shares. Certificates for such Common Shares will not be issued to Participants unless specifically requested in writing.

A Participant that is a registered holder of Common Shares may request a certificate from the Corporation in writing for any number of Common Shares held by the Participant without terminating participation in the DRIP from the Corporation. Normally, a certificate will be sent to a Participant within three weeks of receipt by the Corporation of a Participant's written request. Any remaining Common Shares will continue to be held for the Participant's account under the DRIP.

#### *Non-Registered Shareholders:*

Shareholders who have enrolled in the DRIP should contact the Plan Agent or the Asset Manager to determine the procedures for withdrawing their participation in the DRIP.

### Responsibilities of the Corporation

The Corporation shall not be liable for any act, or any omission to act, in connection with the operation of the DRIP including, without limitation, any claims for liability:

- (a) relating to the prices at which Common Shares are purchased or sold for the Participant's account and the times such purchases are made;
- (b) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants in connection with their participation in the DRIP;
- (c) arising out of the involuntary termination of a Participant's enrollment in the DRIP in the circumstances described herein;
- (d) relating to any decision to amend, suspend, terminate or replace the DRIP in accordance with the terms herein;
- (e) arising out of any prorating, for any reason, of the number of Common Shares that may be acquired by a Participant under the Drip, in the circumstances described herein; and
- (f) with respect to decisions by the Corporation to raise or not raise equity through the DRIP in any given month, or the amount of equity raised, if any.

Participants should recognize that the Corporation cannot assure a profit or protection against a loss on the Common Shares purchased or sold under the DRIP and each Participant shall bear the risk of loss from market price changes with respect to the Common Shares acquired under the DRIP.

### Compliance with Laws

The operation and implementation of the DRIP is subject to compliance with all applicable legal requirements, including obtaining all appropriate regulatory approvals and exemptions from registration and prospectus requirements. The Corporation may limit the Common Shares issuable under the DRIP in connection with discretionary exemptive relief relating to the DRIP granted by any securities regulatory authority.

## 2.7.4 Stock Option Plan

The Corporation has established the Stock Option Plan, which allows directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries (collectively, “**Eligible Participants**”), to participate in the growth of the Corporation. The following is a summary of the Stock Option Plan, and is qualified in its entirety by the full text of the Stock Option Plan.

The Stock Option Plan is administered by the Board. Pursuant to the terms of the Stock Option Plan, the Board may grant options to purchase Shares in an aggregate amount equal to 10% of the issued and outstanding Shares from time to time. The exercise price for options is set by the Board. Options will vest as to 1/3 on the first anniversary of their grant date, 1/3 on the second anniversary of their grant date, and the remaining 1/3 will vest on the third anniversary of their grant date.

In the event an optionholder ceases to be an Eligible Participant for any reason, other than death or termination for cause, the options will expire on the date that is 90 days from the date of cessation. If an optionholder is terminated for cause, options will expire on the date of termination. If an optionholder dies, then their options will be exercisable until the earlier of one year from the date of their death and the date of expiry of the options, provided that they will only be exercisable by the person to whom the options pass by the Eligible Participant’s will or the laws of descent and distribution.

## ITEM 3 - INTERESTS OF BOARD, MANAGEMENT AND PRINCIPAL HOLDERS

### 3.1 Compensation and Securities Held

The following table sets out information about each of the directors, officers and promoters of the Corporation, and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of the Corporation’s voting securities (a “**Principal Holder**”):

| Name and Municipality of Principal Residence        | Position Held and Date of Obtaining that Position                | Compensation Paid by the Corporation in the Most Recently Completed Financial Year (2019) | Compensation Paid by the Corporation for Most Recently Completed Financial Year (2019) | Common Shares Held on January 28, 2020 |
|---|--|---|--|--|
| Arthur H. Kwan, MBA, CFA, ICD.D<br>Calgary, Alberta | President, Chief Executive Officer and Chairman<br>January, 2018 | Nil <sup>(1)</sup>  | 350,000 stock options <sup>(1)(2)</sup>  | 278,000<br>(1.5%)                      |
| Michael A. Zuk<br>Calgary, Alberta                  | Chief Investment Officer<br>September 2019                       | Nil   | 150,000 stock options <sup>(2)</sup>   | 250,000<br>(1.3%)                      |
| Michael Yeung, CFA<br>Calgary, Alberta              | Chief Operating Officer<br>September 2019                        | Nil   | 150,000 stock options <sup>(2)</sup>   | 20,000<br>(0.1%)                       |
| Terry Zimaro, CA, CPA<br>Calgary, Alberta           | Chief Financial Officer<br>September 2018                        | \$3,805   | \$20,000 and 150,000 stock options <sup>(2)</sup>                                      | 50,000<br>(0.3%)                       |
| Raj Grover<br>Calgary, Alberta                      | Director<br>June, 2018   | Nil   | 50,000 stock options <sup>(2)</sup>  | 200,000<br>(1.1%)                      |
| Jeremy Ross<br>Vancouver, British Columbia          | Director<br>June, 2019   | Nil   | 50,000 stock options <sup>(2)</sup>  | 100,000<br>(0.5%)                      |

**Notes:**

- (1) Mr. Kwan is an officer of the Corporation. He is also the sole officer, shareholder and the director of the Asset Manager. Mr. Kwan is not compensated separately for the services provided by him to the Corporation. Mr. Kwan is compensated by the Asset Manager. The Asset Manager is entitled to the Asset Management Fee and Performance Bonus, if applicable, and in turn Mr. Kwan is compensated by the Asset Manager by receiving 50% of the Asset Management Fee and 50% of the Performance Bonus. The Asset Manager is entitled to the payment of fees and expenses by the Corporation. The Asset Manager shall have priority over distributions to Shareholders in respect of amounts payable or reimbursable to them.
- (2) Officers, directors, and advisors are eligible to participate in the Corporation's stock option plan. See **Section 4.1 – Capital Structure** for further information on these options.

**3.2 Management's Experience**

The principal occupation and business background of each director and officer of the Corporation is as follows:

| Name  | Principal Occupations and Related Experience   |
|---|--|
| <b>Arthur H. Kwan, MBA, CFA, ICD.D</b><br>President, Chief Executive Officer and Director | Mr. Kwan has been the President and Chief Executive Officer of the Corporation since January 2018. He is also the Managing Partner of the Asset Manager and its predecessor companies since September 2016 and was formerly Managing Director of Investment Banking for both PI Financial Corp. and Paradigm Capital Inc. Mr. Kwan began his investment career in 1997 with TD Asset Management Inc. and has over 18 years of investment banking, capital markets, and private equity experience. He has since held increasingly senior investment banking positions with Scotia Capital Inc., Peters & Co. Limited, and Westwind Partners Inc. Mr. Kwan is currently on the Board of Directors of High Tide Inc. (CSE:HITI) (in which the Corporation currently has an investment in), Seven Leaf Ventures Corp. (private), and Newbridge Global Ventures, Inc. (OTCQB:NBGV). Mr. Kwan holds a Bachelor of Business Administration in Finance from Simon Fraser University, a Masters of Business Administration in International Finance from Wilfrid Laurier University, the Chartered Financial Analyst designation from the CFA Institute, and the ICD.D designation from the Institute of Corporate Directors. He is also a graduate of the European Summer School for Advanced Management program from the University of Aarhus in Denmark. |
| <b>Michael A. Zuk</b><br>Chief Investment Officer   | Mr. Zuk has been the Chief Investment Officer of the Corporation since September 2019. He was formerly an Equity Research Analyst for Stifel Nicolaus, a full-service US brokerage and investment banking firm. He brings over 12 years of equity research experience at large US and Canadian banks, as well as executive officer roles within publicly traded companies, leveraging corporate development and capital markets experience. He has been a successful early investor in the cannabis sector.  |
| <b>Michael Yeung, CFA</b><br>Chief Operating Officer                                      | Mr. Yeung has been the Chief Operating Officer of the Corporation since September 2019. He has over 15 years of experience in private equity, investment banking, and equity research. He was formerly the Director of Investments for Second City Capital Partners and the Managing Director of Investment Banking for Casimir Capital. Prior thereto, he was an equity research analyst for two boutique institutional investment dealers. Mr. Yeung is an advisor to a private CBD oil processor from hemp grown by local farmers.  |
| <b>Terry Zimaro, CA, CPA</b><br>Chief Financial Officer                                   | Mr. Zimaro has been the Chief Financial Officer of the Corporation since September 2018. He has over 20 years of experience in public accounting, tax compliance, and assurance / auditing. He began his career in public practice which concluded as Manager at a mid-market national firm. He was most recently in industry as the Chief Financial Officer with a private oil and gas company. He has his CPA, CA designation, a Bachelor of Commerce degree from the University of Alberta, his level 1 tax in-depth and currently enrolled in the STEP program. Terry volunteers with the Oilmen's Squash Tournament.  |
| <b>Raj Grover</b><br>Director   | Mr. Grover is the President and Chief Executive Officer of High Tide Inc. (CSE:HITI) and its subsidiary companies which include RGR Canada Inc., Smoker's Corner retail stores, and Canna Cabana-branded stores. Mr. Grover is also the co-founder of High Tide's newest subsidiary, Famous Brandz Inc. Mr. Grover started Smoker's Corner in 2009 and has been operating profitably as a pioneer in the cannabis accessories industry ever since. He leads the industry in manufacturing capabilities and has built the largest network of retail stores in Canada.   |
| <b>Jeremy Ross</b><br>Director  | Mr. Ross has over 20 years of experience in venture capital and marketing for small-to-mid-cap cannabis, mining and technology companies. He is a founding partner of Integrated Cannabis Company Inc. (CSE:ICAN), and is a director of SpeakEasy Cannabis Club Ltd. (CNSX:EASY)   |

| Name | Principal Occupations and Related Experience  |
|------|---|
|      | which he helped the company go public in 2018. Mr. Ross was a Director of Fission Uranium Corp. (TSX:FCU) from 2013 to 2017, as well as the Corporate Development Consultant for Fission Uranium when it was named a Top 50 TSX-V company for its performance. Mr. Ross was the Head of Corporate Development for Ableauctions.com Inc. (AMEX:AAC), which graduated from Over-The-Counter markets to the American Stock Exchange. |

### 3.3 Penalties, Sanctions and Bankruptcy

To the knowledge of the Management, there has been: (a) no penalty or sanction that has been in effect during the last 10 years, or any cease trade order than has been in effect for a period of more than 30 consecutive days during the past 10 years against: (i) a director, executive officer or control person of the Corporation; or (ii) an issuer of which any of the persons or companies referred to in (a) was a director, executive officer or control person, at the time; and (b) other than noted in this section, no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any director, executive officer or control person of the Corporation or an issuer of which a director, executive officer or control person of the Corporation was a trustee, director, executive officer or control person at that time. Arthur Kwan filed for personal bankruptcy on February 10, 2010. Mr. Kwan was a partner in a start-up business that became financially distressed as a result of the economic downturn and recession. Mr. Kwan was unconditionally discharged from his personal bankruptcy on November 15, 2011.

### 3.4 Loans

As at the date of this Offering Memorandum there is no outstanding indebtedness between the Corporation, the Board, Management, the Asset Manager, the Fund Manager, promoters or the Principal Holders.

### 3.5 Governance

In order to provide for better governance and to address certain Conflict of Interest Matters, the Corporation has adopted a policy (the “**Conflict of Interest Policy**”) which requires the following: (a) at least two (2) members of the Board must be Independent (the “**Minimum Independent Director Requirement**”); (b) the officers and/or directors of the Corporation must bring all Conflict of Interest Matters to the attention of the Board by providing a memorandum setting out the facts, the nature and extent of the Conflict of Interest Matter and what steps Management has taken to reduce the risk and manage the conflict of interest; (c) any Conflict of Interest Matter requires the unanimous agreement of all Board members then sitting as Board members, which for greater certainty requires the unanimous agreement of all Independent directors; (d) if the Board no Independent director, then no Conflict of Interest Matter can be approved by the Board; and (e) annually, the Corporation will provide, along with its annual financial statements, a report of the Independent director(s) of the Corporation regarding the review and approval of any Conflict of Interest Matters in the prior year.

For these purposes, “**Conflict of Interest Matter**” means any matter in respect of which a reasonable person would consider the Corporation, or an entity related to the Corporation, to have an interest that may conflict with the Corporation’s ability to act in good faith and in the best interests of the Corporation, and “**Independent**” and “**Independence**” will be determined in accordance with the test set out in National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

As of the date of this Offering Memorandum, two directors of the Corporation, Raj Grover and Jeremy Ross, are independent of the Corporation.

## ITEM 4 - CAPITAL STRUCTURE

### 4.1 Common Share Capital

As at the date of this Offering Memorandum, as reflected in the table below, the Corporation has issued only Class A Shares.

| Description of Security | Number authorized to be issued | Number outstanding as at January 28, 2020 | Number outstanding after Maximum Offering |
|-------------------------|--------------------------------|---|---|
| Class A Shares          | Unlimited                      | 18,065,617                                | Unlimited <sup>(1)</sup>                  |

<sup>(1)</sup> There is no Maximum Offering. The Corporation will offer its Common Shares for sale on a continuous basis.

### 4.2 Long-Term Debt Securities

The Corporation has no indebtedness as at the date hereof.

### 4.3 Prior Sales

During the last 12 months, the Corporation has issued the following Class A Shares:

| Date of Issuance | Number of Securities Issued | Price Per Security | Total Funds Received |
|------------------|-----------------------------|--------------------|----------------------|
| 08-Jan-19        | 20,000                      | \$ 0.50            | \$ 10,000            |
| 10-Jan-19        | 20,000                      | \$ 0.50            | \$ 10,000            |
| 16-Jan-19        | 50,000                      | \$ 0.50            | \$ 25,000            |
| 24-Jan-19        | 50,000                      | \$ 0.50            | \$ 25,000            |
| 24-Jan-19        | 20,000                      | \$ 0.50            | \$ 10,000            |
| 22-Feb-19        | 80,000                      | \$ 0.50            | \$ 40,000            |
| 22-Feb-19        | 30,000                      | \$ 0.50            | \$ 15,000            |
| 22-Feb-19        | 30,000                      | \$ 0.50            | \$ 15,000            |
| 22-Feb-19        | 40,000                      | \$ 0.50            | \$ 20,000            |
| 25-Feb-19        | 70,000                      | \$ 0.50            | \$ 35,000            |
| 04-Mar-19        | 20,000                      | \$ 0.50            | \$ 10,000            |
| 13-Mar-19        | 100,000                     | \$ 0.50            | \$ 50,000            |
| 11-Apr-19        | 30,000                      | \$ 0.50            | \$ 15,000            |
| 11-Apr-19        | 30,000                      | \$ 0.50            | \$ 15,000            |
| 28-Apr-19        | 66,000                      | \$ 0.50            | \$ 33,000            |
| 29-Apr-19        | 4,000                       | \$ 0.25            | \$ 1,000             |
| 29-Apr-19        | 56,000                      | \$ 0.25            | \$ 14,000            |
| 03-May-19        | 50,000                      | \$ 0.50            | \$ 25,000            |
| 04-May-19        | 200,000                     | \$ 0.50            | \$ 100,000           |
| 08-May-19        | 400,000                     | \$ 0.50            | \$ 200,000           |
| 08-May-19        | 20,000                      | \$ 0.50            | \$ 10,000            |
| 08-May-19        | 100,000                     | \$ 0.50            | \$ 50,000            |
| 08-May-19        | 182,000                     | \$ 0.50            | \$ 91,000            |

| <b>Date of</b>  | <b>Number of</b>         | <b>Price Per</b> | <b>Total Funds</b> |
|-----------------|--------------------------|------------------|--------------------|
| <b>Issuance</b> | <b>Securities Issued</b> | <b>Security</b>  | <b>Received</b>    |
| 08-May-19       | 34,000                   | \$ 0.50          | \$ 17,000          |
| 08-May-19       | 160,000                  | \$ 0.50          | \$ 80,000          |
| 08-May-19       | 150,000                  | \$ 0.50          | \$ 75,000          |
| 08-May-19       | 150,000                  | \$ 0.50          | \$ 75,000          |
| 08-May-19       | 250,000                  | \$ 0.50          | \$ 125,000         |
| 08-May-19       | 20,000                   | \$ 0.50          | \$ 10,000          |
| 08-May-19       | 200,000                  | \$ 0.50          | \$ 100,000         |
| 08-May-19       | 20,000                   | \$ 0.50          | \$ 10,000          |
| 28-May-19       | 110,000                  | \$ 0.50          | \$ 55,000          |
| 28-May-19       | 20,000                   | \$ 0.50          | \$ 10,000          |
| 28-May-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 28-May-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 28-May-19       | 500,000                  | \$ 0.50          | \$ 250,000         |
| 10-Jun-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 13-Jun-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 19-Jun-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 21-Jun-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 25-Jun-19       | 40,000                   | \$ 0.50          | \$ 20,000          |
| 02-Jul-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 27-Jun-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 05-Jul-19       | 200,000                  | \$ 0.50          | \$ 100,000         |
| 09-Jul-19       | 40,000                   | \$ 0.50          | \$ 20,000          |
| 09-Jul-19       | 40,000                   | \$ 0.50          | \$ 20,000          |
| 11-Jul-19       | 30,000                   | \$ 0.50          | \$ 15,000          |
| 13-Jul-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 20,000                   | \$ 0.50          | \$ 10,000          |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |

| <b>Date of</b>  | <b>Number of</b>         | <b>Price Per</b> | <b>Total Funds</b> |
|-----------------|--------------------------|------------------|--------------------|
| <b>Issuance</b> | <b>Securities Issued</b> | <b>Security</b>  | <b>Received</b>    |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 18,000                   | \$ 0.50          | \$ 9,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 16-Jul-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 16-Jul-19       | 500                      | \$ 0.50          | \$ 250             |
| 16-Jul-19       | 2,000                    | \$ 0.50          | \$ 1,000           |
| 16-Jul-19       | 500                      | \$ 0.50          | \$ 250             |
| 23-Jul-19       | 60,000                   | \$ 0.50          | \$ 30,000          |
| 23-Jul-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 23-Jul-19       | 150,000                  | \$ 0.50          | \$ 75,000          |
| 23-Jul-19       | 200,000                  | \$ 0.50          | \$ 100,000         |
| 23-Jul-19       | 200,000                  | \$ 0.50          | \$ 100,000         |
| 23-Jul-19       | 70,000                   | \$ 0.50          | \$ 35,000          |
| 23-Jul-19       | 250,000                  | \$ 0.50          | \$ 125,000         |
| 23-Jul-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 23-Jul-19       | 750,000                  | \$ 0.50          | \$ 375,000         |
| 23-Jul-19       | 200,000                  | \$ 0.50          | \$ 100,000         |
| 27-Aug-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 01-Sep-19       | 20,000                   | \$ 0.50          | \$ 10,000          |
| 27-Sep-19       | 40,000                   | \$ 0.50          | \$ 20,000          |
| 27-Sep-19       | 40,000                   | \$ 0.50          | \$ 20,000          |
| 27-Sep-19       | 60,000                   | \$ 0.50          | \$ 30,000          |
| 08-Oct-19       | 20,000                   | \$ 0.50          | \$ 10,000          |
| 29-Oct-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 29-Oct-19       | 10,000                   | \$ 0.50          | \$ 5,000           |
| 22-Oct-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 22-Oct-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 22-Oct-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 22-Oct-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 22-Oct-19       | 56,000                   | \$ 0.50          | \$ 28,000          |
| 22-Oct-19       | 50,000                   | \$ 0.50          | \$ 25,000          |
| 31-Oct-19       | 100,000                  | \$ 0.50          | \$ 50,000          |
| 19-Nov-19       | 23,842                   | \$ 0.50          | \$ 11,921          |
| 19-Nov-19       | 33,278                   | \$ 0.50          | \$ 16,639          |
| 19-Nov-19       | 40,000                   | \$ 0.50          | \$ 20,000          |

| <b>Date of Issuance</b> | <b>Number of Securities Issued</b> | <b>Price Per Security</b> | <b>Total Funds Received</b> |
|-------------------------|------------------------------------|---------------------------|-----------------------------|
| 19-Nov-19               | 20,000                             | \$ 0.50                   | \$ 10,000                   |
| 19-Nov-19               | 20,000                             | \$ 0.50                   | \$ 10,000                   |
| 19-Nov-19               | 44,000                             | \$ 0.50                   | \$ 22,000                   |
| 19-Nov-19               | 20,000                             | \$ 0.50                   | \$ 10,000                   |
| 19-Nov-19               | 40,000                             | \$ 0.50                   | \$ 20,000                   |
| 19-Nov-19               | 100,000                            | \$ 0.50                   | \$ 50,000                   |
| 17-Dec-19               | 300,000                            | \$ 0.50                   | \$ 150,000                  |
| 08-Jan-20               | 100,000                            | \$ 0.50                   | \$ 50,000                   |
| 08-Jan-20               | 200,000                            | \$ 0.50                   | \$ 100,000                  |
| <b>Total</b>            | <b>8,432,120</b>                   |                           | <b>\$ 4,201,060</b>         |

In addition, to date the Corporation has issued the following stock options:

| <b>Date of Issuance</b> | <b>Number of Options Issued</b> | <b>Exercise Price Per Option<sup>(1)</sup></b> | <b>Expiry Date</b> |
|-------------------------|---------------------------------|--|--------------------|
| 25-Nov-19               | 350,000                         | \$ 0.25  | 25-Nov-24          |
| 25-Nov-19               | 150,000                         | \$ 0.25  | 25-Nov-24          |
| 25-Nov-19               | 150,000                         | \$ 0.25  | 25-Nov-24          |
| 25-Nov-19               | 150,000                         | \$ 0.25  | 25-Nov-24          |
| 25-Nov-19               | 50,000                          | \$ 0.25  | 25-Nov-24          |
| 25-Nov-19               | 50,000                          | \$ 0.25  | 25-Nov-24          |
| 25-Nov-19               | 50,000                          | \$ 0.25  | 25-Nov-24          |
| 25-Nov-19               | 50,000                          | \$ 0.25  | 25-Nov-24          |
| <b>Total</b>            | <b>1,000,000</b>                |  |                    |

<sup>(1)</sup> These options were originally approved in 2018, but were not issued until 2019. The Corporation does not expect to issue options at a price less than the last completed financing round going forward, unless in the option of the Board of Directors a situation exists such that the value of the Corporation's Shares has been significantly reduced and therefore the Share price in the last financing round is no longer an appropriate exercise price for options granted under the Stock Option Plan.

## ITEM 5 - SECURITIES OFFERED

The Corporation is offering Class A, B, F and I Shares for issue and sale under the Offering, which are collectively referred to in this Offering Memorandum as the “**Shares**”. Subscribers under the Offering will purchase the Shares upon the Corporation's acceptance of the Subscriber's Subscription Agreement and related documents and payment of the applicable subscription amounts for the Shares, as the case may be.

The material terms of the Shares are summarized below. Other rights, privileges, restrictions, conditions and characteristics attaching to each Share are contained in the By-Laws, a copy of which can be obtained by contacting the Corporation at [myeung@cannaincomefund.ca](mailto:myeung@cannaincomefund.ca).

**Prospective Subscribers are advised that the description of the Shares and their rights and restrictions in this Offering Memorandum is a summary only of the material terms of such Shares and is subject to the By-Laws. Prospective Subscribers are advised to review in detail the By-Laws and rights and restrictions of the Share set out therein with their own legal, tax and investment advisors. This summary does not purport to be complete and reference should be to the By-Laws itself, a copy of which is available from the Corporation. Alternately, you may request copies by emailing the Corporation at [ak@cannaincomefund.ca](mailto:ak@cannaincomefund.ca).**

## 5.1 Common Shares

The Shares offered for sale under this Offering Memorandum and the requirements applicable to Subscribers wishing to acquire a particular class of Shares, are as follows:

| Class                | Terms   |
|----------------------|---|
| Class A and B Shares | Subscriber must be a Qualified Purchaser.   |
| Class F Shares       | Subscriber must be: (a) a Qualified Purchaser who participates in fee-based programs through eligible investment dealers ( <i>i.e.</i> , IIROC dealers); or (b) a Qualified Purchaser in respect of whom the Corporation does not incur distribution costs. |
| Class I Shares       | Class I Shares are only available to large private or institutional investors as the Asset Manager may determine from time to time on a case-by-case basis.   |

For a description of the commissions payable in connection with the purchase of such Shares, see **Item 7.1 - Commissions and Fees**.

The By-Laws govern the rights and obligations of the Shareholders and the Board. The following is a summary of certain material provisions of the By-Laws.

The beneficial interests in the Corporation are represented and constituted by Common Shares and Preferred Shares. There are no Preferred Shares outstanding. The Common Shares may be issued in more than one class and series, and each Class of Common Share may be subject to different fees and rights. The Corporation may create additional classes of Common Shares by special resolution.

The Corporation will not issue any fractional Common Shares. All subscriptions and further distributions are rounded down to the nearest whole number. The Corporation accrues notional fractional Common Shares for the account of each Shareholder and will issue a whole Common Share once an applicable Shareholder has accrued a sufficient interest to acquire a whole Common Share. Outstanding Common Shares of any class may be subdivided or consolidated in the Corporation's discretion from time to time.

The Board has discretion to establish the terms at which the Shares are offered, including Shareholder eligibility, the initial Closing Date and initial offering price for the first issuance of Common Shares of the class, any minimum initial or subsequent investment thresholds, any minimum account balances, valuation frequency, fees and expenses of the class, sales or redemption charges payable in respect of the class, redemption rights and any additional offering specific attributes. Additional classes of Common Shares may be offered in the future on different minimum subscription levels provided that the Corporation shall not create any class or series of Common Shares or other equity securities with any priority ranking, security interest or similar such attributes, without the approval by special resolution of the Shareholders represented at a meeting called for such purpose.

Each whole Common Share of a particular class entitles the Shareholder to the same rights and obligations as a holder of any other Common Share of the same class and no holder of Common Shares of a particular class is entitled to any privilege, priority or preference in relation to any other holder of Common Shares of the same class.

Shareholders cannot transfer their Common Shares except in very limited circumstances. See **Item 8 - RISK FACTORS – Common Shares are Not Liquid**.

## 5.2 Shares

The securities being offered pursuant to this Offering Memorandum are Class A Shares, Class B Shares, Class F Shares, and Class I Shares. The Corporation is authorized to issue an unlimited number of Common Shares of any class. Each Common Share has attached thereto the same rights and obligations as, and rank equally with, each other Class of Shares with respect to voting, allocations, distributions and participation on dissolution of the Corporation. Each Class A Share shall entitle the holder thereof to one vote at a meeting of Shareholder at which Class A shareholders are entitled to vote. Each Class B Share shall entitle the holder thereof to one vote at a meeting of Shareholders at which Class B shareholders are entitled to vote. Each Class F Share shall entitle the holder thereof to

one vote at a meeting of Shareholders at which Class F shareholders are entitled to vote. Each Class I Share shall entitle the holder thereof to one vote at a meeting of Shareholders at which Class I shareholders are entitled to vote. The holder of each Class A Share, Class B Share, Class F Share, or Class I Share, as the case may be, is entitled to receive allocations of income and distributions from the Corporation.

### 5.3 Redemption of Common Shares

Common Shares may be surrendered for redemption at any time at the demand of the Shareholder, but will be redeemed only on the applicable quarterly Redemption Date. Any Shareholder seeking a redemption must give written notice to Alliance its intention to redeem and the number Common Shares to be redeemed. This notice must be given within thirty (30) days prior to the quarterly Redemption Date and the Shareholder will be paid on the day that is on or before the tenth (10<sup>th</sup>) day following the applicable Redemption Date (the “**Redemption Payment Date**”). If a Shareholder provides written notice after 5:00 p.m. (Calgary time) on the thirtieth (30) day prior to a Redemption Date, the Common Shares will be redeemed on the Redemption Date in the following quarter and the Shareholder will receive payment of the Redemption Price for the Common Shares on the Redemption Payment Date in respect of such Redemption Date.

#### Liquidity Premiums for All Classes of Shares

If the Shareholder redeems a Class of Shares prior to the following anniversaries of the issuance date of the Class of Shares, then the following liquidity premiums would apply to all such shares redeemed:

- 0 year to 1<sup>st</sup> year = 10%
- 1<sup>st</sup> year to 2<sup>nd</sup> year = 5.0%
- 2<sup>nd</sup> year to 3<sup>rd</sup> year = 2.5%
- After the 3<sup>rd</sup> year = 0.0%

The Board has the absolute discretion to waive any conditions in respect of one or more redemption requests from time to time.

#### Cash Limit on Redemptions

The entitlement of a Shareholder to receive cash upon the redemption of such Shareholder’s Common Shares is subject to limitations, including where:

- (a) the total amount payable by the Corporation for Common Shares tendered for redemption in the same calendar quarter exceeds the greater of \$150,000 per calendar quarter or 1.25% of Assets Under Management per quarter (the “**Redemption Limit**”); provided that the Board may, in their absolute discretion, waive such limitation in respect of all Common Shares tendered for redemption in any period;
- (b) the redemption of the Common Shares validly tendered for redemption would result in a return of capital or a distribution otherwise out of the Corporation Property to the Shareholder, unless Total Liabilities have been paid or sufficient Corporation Property remains to pay them; and
- (c) in the Board’s opinion (in their absolute discretion), the Corporation has insufficient liquid assets to fund such redemptions or that the liquidation of assets at such time would be to the detriment of or adversely affect the remaining Shareholders or the Corporation generally, which resolution must include the unanimous approval of the Independent Directors.

Common Shares tendered for redemption during any calendar quarter in which the total amount payable by the Corporation exceeds the Redemption Limit may be redeemed, in the discretion of the Board, subject to any waiver of the Redemption Limit, for cash and Redemption Notes on a pro rata basis. Any Redemption Notes issued by the Corporation would be an unsecured subordinated promissory note of the Corporation having a maturity date of three years or less and an interest rate equal to the Canada Bond Rate. The terms of the Redemption Note would provide that the Corporation has the ability at any time to prepay all or any part of the outstanding principal without notice or bonus. To date the Corporation has not issued any Redemption Notes and all redemption requests have been satisfied in cash.

The Corporation will suspend the calculation of the Net Asset Value per Common Share, and the right to surrender Common Shares for redemption, when required to do so under any applicable securities legislation or under any exemptive relief granted by the local securities authorities from such securities legislation.

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 request received while the suspension is in effect. All Shareholders making such requests shall be advised by the Corporation of the suspension and that redemption will be effected at a price determined on the first Redemption Date following the termination of the suspension. Such redemption requests will be honoured in priority to redemption requests made after the termination of the suspension. Redemption requests are irrevocable unless they are not honoured on a Redemption Date, in which case they may be withdrawn within 15 days following such Redemption Date.

The Corporation has the right to require a Shareholder to redeem some or all of the Common Shares owned by that Shareholder on a Redemption Date at the Net Asset Value per Common Share thereof, by notice in writing to the Shareholder given at least 10 days before the designated Redemption Date, which right may be exercised by the Corporation in its absolute discretion.

Common Shares held by a Shareholder may be redeemed by or under the authority of the Board to satisfy the payment of fees or charges to which such Shareholder has agreed to be subject, such agreement by the Shareholder to be conclusively evidenced by the purchase of any Common Share that gives rise to such fee or charge being levied, provided the nature and amount of such fee or charge was disclosed in the Offering document of the Corporation or in an agreement between the Shareholder and the Corporation (or an associate or affiliate) at the time of such purchase.

The Corporation may from time to time purchase for cancellation some or all of the Common Shares (or other securities of the Corporation which may be issued and outstanding from time to time) by private agreement or pursuant to tenders received by the Corporation upon request for tenders addressed to all holders of record of Common Shares, provided in each case that the Board has determined that such purchases are in the best interests of the Corporation and are completed in accordance with Applicable Laws.

Redemption Notes issued by the Corporation will be unsecured debt obligations of the Corporation and may be subordinated to other financing obtained by the Corporation. The Corporation will create a reserve fund for interest payable with respect to Redemption Notes issued by the Corporation in an amount determined by the Board, in its discretion. Notwithstanding the aforesaid circumstances may arise resulting in the Corporation may not have funds available to pay on maturity the principal balance and accrued unpaid interest under any Redemption Notes issued. Redemption Notes, if issued by the Corporation, may, in certain circumstances, have priority over Shares in the event of the liquidation of the assets of the Corporation. There are various considerations with respect to creditor rights and bankruptcy law that will need to be considered both at the time Redemptions Notes are issued and at the time of any liquidation of the assets of the Corporation in order to determine if such a priority exists.

Shareholders should note that Redemption Notes will not be a qualified investment for tax-exempt Shareholders. **See Item 6.1.5 - Eligibility for Investment by Exempt Plans, and Item 8 - RISK FACTORS – Redemption Right.**

### **5.3.1 Withholding Taxes**

The Board may deduct or withhold from distributions payable to any Shareholder (including distributions *in specie* or proceeds distributed from the redemption of Common Shares) all amounts required by law to be withheld from such dividends. Shareholders who are required by Applicable Law to pay withholding taxes are required to pay all withholding taxes payable in respect of any distributions (including in-kind dividends or proceeds distributed from the redemption of Common Shares) by the Corporation, whether such distributions are in the form of cash or additional Common Shares. To the extent that amounts are deducted or withheld, such amounts are treated for all purposes of the By-Laws as having been paid to the Shareholders. If a Shareholder, who is required by Applicable Law to pay withholding taxes, fails to pay all withholding taxes payable in respect of any dividends in the form of additional Common Shares, the Corporation may sell the Common Shares of such Shareholder to pay such withholding taxes and pursuant to the By-Laws, the Corporation has the power of attorney of such Shareholder to do so. Upon such sale, the affected Shareholder ceases to be the holder of such Common Shares.

### 5.3.2 Transfers of Common Shares

Shareholders cannot transfer their Common Shares except in very limited circumstances. See **Item 8 - RISK FACTORS** and **Item 10 - RESALE RESTRICTIONS**.

## 5.4 Distributions

### 5.4.1 Distributions to Shareholders

The Corporation will pay ordinary dividends and/or capital gains dividends only when declared by the Board. Generally, the Corporation will pay any ordinary dividends quarterly and any capital gains dividends within 60 days following the year end or at such other times as may be determined by the Board.

The Corporation has established the DRIP, which is a distribution reinvestment plan for the purposes of offering Eligible Holders a convenient method to reinvest distributions on Common Shares declared and payable to them. See **Item 2.7.3 - Distribution Reinvestment Plan**.

**The return on an investment in the Common Shares is not comparable to the return on an investment in fixed income securities.**

## 5.5 Subscription Procedure

The securities being offered pursuant to the Offering are Class A, D, F and I Shares at a price of \$0.50 per Common Share. Each Subscriber must subscribe for a minimum of \$10,000 worth of Shares, unless waived by the Corporation.

Subscribers wishing to subscribe for Shares are required to enter into a Subscription Agreement with the Corporation, containing, among other things, representations, warranties, certifications, acknowledgments and covenants by you, as the Subscriber. The procedure for your subscription for the Shares is set out in the Subscription Agreement, including payment of the subscription price by certified cheque, personal cheque, bank draft or wire transfer payable as directed in the Subscription Agreement. Please read the instructions in the Subscription Agreement closely.

Closings may be held at such dates as determined by the Asset Manager until the Offering is terminated. The Asset Manager anticipates that Closings will occur on the last Business Day of each calendar month. If the conditions of Closing are not satisfied within the required time, all documents and subscription funds will be returned to the Subscribers without interest or deduction.

The Shares are being offered both directly from the Corporation and through FundServ. If purchasing directly, payment shall be made as directed by the Asset Manager or your investment advisor. If purchasing through FundServ, payment for the Shares must be made through the FundServ system.

The Corporation has established a DRIP that provides for the automatic reinvestment of distributions into the class of Shares subscribed for. If you want to register in the DRIP, you may do so at the time of your subscription for Shares or at a later time. See **Item 2.7.3 - Distribution Reinvestment Plan**.

Subject to the rights of rescission (if any) described in **Item 11 - PURCHASERS' RIGHTS**, your subscription, as evidenced by your completed and executed Subscription Agreement delivered to the Corporation, is irrevocable. **The consideration tendered by each Subscriber will be held by the Corporation for a period of two days during which period the Subscriber may request a return of the tendered consideration by delivering a notice to the Corporation not later than midnight on the second Business Day after the Subscriber signs the Subscription Agreement.**

At any Closing of the Offering, proceeds from subscriptions for Shares will be made available to the Corporation for its use, as described in this Offering Memorandum and your investment advisor will provide you with a confirmation of your completed subscription and issuance of the Shares in accordance with your registration instructions. The Corporation uses an electronic book-entry system for its register of Common Shares and will not issue you a physical certificate for your Common Shares unless specifically requested.

No interest will be paid to or accrued for the benefit of the Subscriber for Shares on any portion of your aggregate subscription price held prior to Closing. Any interest earned on such funds belongs to the Corporation irrespective of its acceptance or rejection of your subscription for Shares.

By purchasing Shares pursuant to the Offering, you have consented to and requested that all documents evidencing or relating in any way to the sale of the Shares be drawn up in the English language only. *En souscrivant à des titres en vertu de ce placement, chaque souscripteur reconnaît et convient par les présentes qu'il ou elle a consenti et exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à ce placement d'unités soient rédigés en anglais seulement.*

The Corporation may close the subscription books at any time without notice. Any subscription funds for subscriptions that the Corporation does not accept will be returned promptly after the Corporation has determined not to accept such subscription without interest or deduction.

**This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy securities within the United States or by residents of the United States. There shall be no sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.**

### **5.5.1 Exemptions from Prospectus Requirements**

The Offering is being made in reliance upon exemptions from the prospectus requirements provided in NI 45-106. Accordingly, no prospectus has been or will be filed with any securities commission in Canada in connection with the Offering.

#### Offering Memorandum Exemption

Section 2.9 of NI 45-106 provides exemptions for the sale of Common Shares to Subscribers if the Subscriber purchases as principal and the Corporation delivers this Offering Memorandum to the Subscriber in the required form; and the Subscriber signs the Risk Acknowledgment on Form 45-106F4 attached as Appendix I to the Subscription Agreement that accompanies this Offering Memorandum. All jurisdictions of Canada where the offering memorandum exemption is available, except British Columbia and Newfoundland and Labrador, impose eligibility criteria on persons or companies investing under the offering memorandum exemption. In these jurisdictions, **if** the Subscriber's aggregate subscription price is more than \$10,000, then the Subscriber must be an "eligible investor". In certain jurisdictions there are also limits on the maximum amounts Subscribers can buy, as further outlined below.

An “**eligible investor**” includes the following investors (among other categories):

- (a) a person whose
  - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000,
  - (ii) net income before taxes exceeded \$75,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or
  - (iii) net income before taxes, alone or with a spouse, in the case of an individual exceeded \$125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,
- (b) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors,
- (c) a Partnership of which all of the partners are eligible investors,
- (d) a Limited Partnership of which the majority of the general partners are eligible investors,
- (e) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors,
- (f) an accredited investor,

- (g) a person described in section 2.5 of NI 45-106 [Family, friends and business associates], or
- (h) a person that has obtained advice regarding the suitability of the investment and if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

In addition, in Alberta, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan, there is a requirement that the acquisition cost of all securities acquired by a Subscriber who is an individual under the Offering Memorandum exemption in the preceding 12 months does not exceed the following amounts:

- (i) in the case of a purchaser that is not an eligible investor, \$10,000;
- (ii) in the case of a purchaser that is an eligible investor, \$30,000;
- (iii) in the case of a purchaser that is an eligible investor and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100,000.

In British Columbia and Newfoundland and Labrador, a Subscriber may purchase Common Shares with a total subscription price over \$10,000, and there is no requirement that the Subscriber be an "eligible investor".

#### Accredited Investor Exemption

Section 2.3 of NI 45-106 allows "accredited investors" to purchase Common Shares. The definition of "accredited investor" includes (among other categories):

- an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;
- an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of those years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- an individual who, either alone or with a spouse, has net financial assets (which does not include real estate) of at least \$1,000,000;
- an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; and
- a registrant acting on behalf of a fully managed account.

See the Accredited Investor Certificate attached to the Subscription Agreement for a complete list of the categories of "accredited investor". Each Subscriber who purchases as an accredited investor must complete and sign the Accredited Investor Certificate attached to the Subscription Agreement, and if they are an individual must sign the Risk Acknowledgment for Individual Accredited Investors on Form 45-106F9.

#### \$150,000 Minimum Purchase Exemption (not available for individuals)

Section 2.10 of NI 45-106 allows a purchaser who is not an individual, is purchasing as principal and invests not less than \$150,000 to purchase Common Shares. A Risk Acknowledgment on Form 45-106F4 or Form 45-106F9 need not be signed in this case.

### **5.6 Auditor, Transfer Agent and Registrar**

The Auditor is MNP LLP, Chartered Professional Accountants. Effective for the audit for the 2019 financial statements and beyond, the auditor will be A Chan & Company LLP.

The transfer agent and registrar is Alliance Trust Company.

## ITEM 6 - INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR EXEMPT PLANS

### 6.1 Certain Canadian Federal Income Tax Considerations

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

In the opinion of Management and reviewed by Borden Ladner Gervais LLP, counsel to the Corporation, the following is a summary, as of the date hereof, of the principal Canadian federal income tax considerations generally applicable to a natural person who acquires, as beneficial owner, Shares pursuant to this Offering Memorandum and who, for the purposes of the Tax Act and at all relevant times: (a) is or is deemed to be resident in Canada; (b) deals at arm's length with the Corporation; (c) is not affiliated with the Corporation; and (d) holds the Shares as capital property (a "**Holder**"). Certain Holders who might not otherwise be considered to hold their Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election pursuant to subsection 39(4) of the Tax Act to have their Shares (provided that the Corporation is a "mutual fund corporation" for the purposes of the Tax Act), and any other "Canadian security" (as defined in subsection 39(6) of the Tax Act), owned or subsequently acquired by them, deemed to be capital property for the purposes of the Tax Act. Holders contemplating making such an election should first consult with their own tax advisors.

This summary is not applicable to a Holder: (a) that is a "financial institution", as defined in subsection 142.2(1) of the Tax Act; (b) an interest in which is a "tax shelter", as defined in subsection 237.1(1) of the Tax Act, or a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act; (c) that reports its "Canadian tax results", as defined in subsection 261(1) of the Tax Act, in a currency other than Canadian currency; (d) who has entered into or will enter into, in respect of the Shares, a "derivative forward agreement", as defined in subsection 248(1) the Tax Act; (e) that is a partnership; or (f) that is exempt from tax under Part I of the Tax Act, except for the limited discussion under the heading "Eligibility for Investment". Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of the Shares acquired pursuant to this Offering Memorandum. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money to acquire Shares under this Offering.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "**Tax Regulations**") in force as of the date hereof, all specific proposals to amend the Tax Act and the Tax Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), Counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") made publicly available prior to the date hereof. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or changes in the CRA's administrative policies and assessing practices, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. This summary assumes that the Proposed Amendments will be enacted as currently proposed, but no assurance can be given that this will be the case. There can be no assurance that the CRA will not change its administrative policies or assessing practices. The Corporation has not obtained, nor sought, an advance tax ruling from the CRA in respect of any of the matters discussed herein.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Holder. Accordingly, each Subscriber should obtain independent advice regarding the income tax consequences of investing in Shares with reference to the Subscriber's particular circumstances.**

#### 6.1.1 Status of the Corporation

The Corporation currently qualifies as a "public corporation" and a "mutual fund corporation" for purposes of the Tax Act and is expected to continue to so qualify at all material times in the future. This summary is based on the assumption that for the purposes of the Tax Act, the Corporation will continue to qualify as a "mutual fund corporation" under the Tax Act at all material times in the future. If the Corporation does not so qualify, the income tax consequences would differ materially from those described below.

### 6.1.2 Taxation of the Corporation

The Corporation is generally taxable at corporate tax rates applicable to a mutual fund corporation on its taxable income (which will not include taxable dividends from taxable Canadian corporations) and is also subject to a 38⅓% refundable tax (the “**Refundable Tax**”) on taxable dividends received by it from the taxable Canadian corporations. The Refundable Tax is refunded on a formula basis when the Corporation pays taxable dividends to its shareholders. In addition, the Corporation may receive a refund (calculated on a formula basis) of taxes paid on realized capital gains when it pays capital gains dividends or when shares are redeemed. Other types of income will be subject to tax in the Corporation. It is expected that a sufficient amount of ordinary dividends will be paid to Shareholders each taxation year and capital gains dividends will be paid to Shareholders within 60 days after each taxation year so that the Corporation will not pay tax on Canadian dividends or net realized capital gains.

The Corporation has purchased and will purchase the Cannabis Investments with the objective of earning dividends thereon over the life of the Corporation, and intends to treat and report transactions undertaken in respect of such Cannabis Investments on capital account. Generally, the Corporation will be considered to hold such Cannabis Investments on capital account unless the Corporation is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Corporation has acquired the Cannabis Investments in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Corporation intends to elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act) treated as capital property.

In computing the adjusted cost base of any particular security held by the Corporation, the Corporation will generally be required to average the cost of that security with the adjusted cost base of all other identical securities owned by the Corporation and held as capital property.

A loss realized by the Corporation on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the Corporation, or a person “affiliated” with the Corporation (within the meaning of the Tax Act), acquires a property (a “substituted property”) that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Corporation, or a person affiliated with the Corporation, owns the substituted property 30 days after the original disposition. If a loss is suspended, the Corporation cannot deduct the loss from the Corporation’s capital gains until the substituted property is sold and not reacquired by the Corporation, or a person affiliated with the Corporation, within 30 days before and after the sale.

### 6.1.3 Taxation of Shareholders of the Corporation

Shareholders are required to compute their net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act. Shareholders generally will be required to include in computing their income any dividends paid to them by the Corporation whether or not the dividend is automatically reinvested in additional shares.

To the extent that such dividends constitute capital gains dividends under the Tax Act, the dividend will be deemed to be a capital gain of the shareholder one half of which will be included in income. To the extent that any dividends paid to a shareholder do not constitute capital gains dividends, they will constitute ordinary taxable dividends and will be subject to the gross up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations. An enhanced gross up and dividend tax credit is available for “eligible dividends” paid by the Corporation. Ordinary dividends received by a corporation will generally be deductible in computing

Fees paid in connection with Common Shares will not be deductible for tax purposes.

### 6.1.4 Capital Gains and Minimum Tax

Upon the disposition or deemed disposition by a Holder of an Share, whether by redemption, sale, transfer or otherwise, a capital gain (or capital loss) will be realized to the extent that the proceeds of disposition, less any costs of disposition, are greater (or less) than the adjusted cost base to the Holder of the share. Generally, one-half of a capital gain is included in computing a shareholder’s income. Capital gains and dividends may give rise to a liability for alternative minimum tax under the Tax Act.

### 6.1.5 Eligibility for Investment by Exempt Plans

Provided that the Corporation qualifies as a “public corporation” or a “mutual fund corporation” for the purposes of the Tax Act, the Shares will be a “qualified investment” under the Tax Act for Exempt Plans.

Notwithstanding the foregoing, if the Shares are a “prohibited investment” for a particular trust governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), registered education savings plan (“RESP”), registered disability savings plan (“RDSP”) or tax free savings account (“TFSA”) for the purposes of the Tax Act, the annuitant under the RRSP or RRIF, the subscriber of an RESP or the holder of the RDSP or TFSA, as the case may be, will be subject to a penalty tax under the Tax Act. The Shares will generally not be a “prohibited investment” for a trust governed by a RRSP, RRIF, RESP, RDSP or TFSA if the annuitant, beneficiary or holder thereunder: (a) deals at arm’s length with the Corporation for the purposes of the Tax Act; and (b) does not hold a “significant interest” in the Corporation for the purposes of the prohibited investment rules. In addition, Shares will not be a prohibited investment if the Shares are “excluded property”. Shareholders should consult their own tax advisors regarding whether Shares would be a prohibited investment under the Tax Act having regard to their own particular circumstances.

**Redemption Notes will not be a qualified investment for Exempt Plans, which may give rise to adverse tax consequences to an Exempt Plan or the annuitant, holder or beneficiary thereunder. Shareholders should consult their own tax advisors in this regard.**

### 6.1.6 Enhanced Tax Information Reporting

The Corporation is a “reporting Canadian financial institution” as defined by the Tax Act and has due diligence and reporting obligations under the Foreign Account Tax Compliance Act (as implemented in Canada by the Canada-United States Enhanced Tax Information Exchange Agreement and Part XVIII of the Tax Act, collectively “FATCA”) and the OECD’s Common Reporting Standard (as implemented in Canada by Part XIX of the Tax Act, “CRS”). Generally, Shareholders (or in the case of certain Shareholders that are entities, the “controlling persons” thereof) will be required by law to provide their advisor or dealer with information related to their citizenship or tax residence and, if applicable, their foreign tax identification number. If a Shareholder (or, if applicable, any of its controlling persons) does not provide the information or, for FATCA purposes, is identified as a U.S. citizen (including a U.S. citizen living in Canada) or, for CRS purposes, is identified as a tax resident of a country other than Canada or the U.S., information about the Shareholder (or, if applicable, its controlling persons) and his, her or its investment in the Corporation will generally be reported to the CRA unless the Shares are held within an Exempt Plan. The CRA will provide that information to, in the case of FATCA, the U.S. Internal Revenue Service and in the case of CRS, the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under CRS.

## ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

### 7.1 Commissions and Fees

The Corporation has multiple classes of Common Shares that have different fees associated with them. Each class of Common Shares is responsible for the fees attributable to that class. All Common Shares of a particular class are entitled to participate *pro-rata* with other Common Shares of the same class with respect to: (a) payments or distributions made by the Corporation to the Shareholders of that class; and (b) upon liquidation of the Corporation, in any distributions to Shareholders of that class of net assets of the Corporation remaining after satisfaction of outstanding liabilities.

To assist with effecting sales of Shares, the Corporation has retained several non-exclusive selling agents to assist with effecting sales of Shares, including exempt market dealers or investment dealers (i.e., IIROC dealers) and such other persons that are appointed from time to time by the Corporation. In addition, the Corporation currently pays a wholesaler up to \$6,000 per month based on work performed. The Corporation compensates such selling agents with a commission that varies depending on the Class of Shares purchased. The Corporation may pay commissions of up to 6.00% of the gross proceeds realized on the sale of Class A Shares for soliciting, or assisting with effecting, sales of Shares. In addition, the Corporation may pay to each registered dealer of the Class A Shares an annual trailer fee equal to up to 1.00% of the subscription amount which is paid on a quarterly basis. There may also be a dealer fee of up

to 1.50%. The aggregate maximum amount of commissions and fees in respect of administrative matters in connection with the Offering is up to 8.5% of the gross proceeds of the Shares.

In addition, the Asset Manager may, at its discretion, share a portion of its Performance Bonus (if earned) with selling agents that participate in sales of Shares.

The Corporation may pay commissions or fees on Class B, F and I Shares.

## **7.2 Related and Connected Issuers Matters**

Securities laws require securities dealers and advisers, when they trade in or advise with respect to their own securities or securities in certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationship and connections with the issuer of the securities. Clients and customers should refer to the applicable provisions of these securities laws for the particulars of these rules and their rights or consult with a legal adviser.

The Asset Manager is a “related party” to the Corporation, as defined in Multilateral Instrument MI 61-101 – *Protection of Minority Security Holders in Special Transactions*, because Mr. Kwan is both a director and officer of the Corporation as well as the sole shareholder, director and officer of the Asset Manager. As a result of the relationships noted above, Mr. Kwan and the Asset Manager may have a significant influence over the Corporation.

In addition, the Asset Manager may pay a portion of its fees to the Fund Manager, or an affiliate of the Fund Manager, in respect of services provided by the Fund Manager, or an affiliate, to the Asset Manager from time to time. The Fund Manager is also a “related party” to the Corporation, and may participate in sales of Shares and receive commissions in respect thereof.

The Corporation expects to enter into an agreement with Pinnacle Wealth Brokers Inc. (“**Pinnacle**”), an exempt market dealer which is acting as an agent in respect of sales of Shares pursuant to the Offering, pursuant to which Pinnacle will provide ongoing general and strategic advice in connection with the Corporation or its portfolio companies, as required. In exchange, if Pinnacle arranges for the sale of at least \$1,000,000 of Shares pursuant to the Offering it will be entitled to an advisory fee of \$20,000 and, if it arranges for the sale of \$2,000,000 or more of Shares, it will be entitled to an additional \$20,000, for an aggregate advisory fee of up to \$40,000. In addition, if Pinnacle introduces cannabis issuers to the Corporation, and the Corporation subsequently makes an investment in such issuers, the Corporation will pay to Pinnacle an introduction fee of 5% of the gross investment amount.

## **ITEM 8 - RISK FACTORS**

The purchase of Shares pursuant to the Offering should only be made after consulting with independent and qualified investment, legal and tax advisors. The risks discussed in this Offering Memorandum can adversely affect the Corporation’s prospects, results and financial condition. These risks could cause the value of the Shares to decline, cause the Corporation to be unable to pay distributions on the Shares, and also cause Shareholders to lose part or all of their investment. In addition to the risk factors set out below and elsewhere in this Offering Memorandum, other material risks and uncertainties of which the Corporation is not presently aware may also harm the Corporation’s business and the Corporation’s Property. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of Management of the Corporation.

In addition to factors set forth elsewhere in this Offering Memorandum, potential Subscribers should carefully consider the following factors, many of which are inherent to the ownership of Shares. The following risk factors are a summary only of risk factors involved in an investment in the Shares, which include risk factors that are inherent to the Offering as a result of the Corporation’s business of investing in Cannabis Investments.

### **8.1 Risks Associated with an Investment in the Corporation**

#### No Guarantee that Investment will be Successful

Net Asset Value will vary directly with the market value and return on all or part of the portfolio of Corporation Properties. There is no guarantee that Shareholders will not realize losses from an investment in Shares and there can

be no assurance that the Corporation's objective of earning a profit on the Cannabis Investments will be achieved. The success of the Corporation depends to a certain extent on the efforts and abilities of the Asset Manager, and on external factors such as, among other things, the cannabis markets where Cannabis Investments are located and the general political and economic conditions that may prevail from time to time, which factors are out of the Corporation's control. A return on investment for a Subscriber of Shares depends upon income received by the Corporation from its Cannabis Investments. As a result, there is no guarantee that the Corporation and, correspondingly, the Shareholders will earn a return on their investment.

Once the Corporation distributions are paid in a given distribution period, the Asset Manager may, in its discretion, make other distributions on the Shares. However, the Asset Manager is under no obligation to make any such other distributions.

#### Inherently Illiquid Investments

The Asset Manager intends to invest primarily in businesses whose securities do not trade on any public market, and which may therefore be illiquid at least in the short term. If the market for a specific security is particularly illiquid, the Corporation may be unable to dispose of such securities or may be unable to dispose of such securities at a reasonable price. In addition, if the Asset Manager is unable, or determines that it is inappropriate, to dispose of some or all of the securities held by the Corporation, Shareholders may, subject to Applicable Laws, receive distributions of securities in the Private Portfolio in specie for which there may be an illiquid market, or which may be subject to resale restrictions of indefinite duration.

The Corporation is not, and currently has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Shares will be subject to an indefinite hold period. The Shares may only be transferred under limited exemptions under applicable securities laws. Consequently, Shareholders may not be able to sell the Shares readily or at all, and they may not be accepted as collateral for a loan. Shareholders should be prepared to hold the Shares indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Shares is suitable solely for persons able to make and bear the economic risk of a long-term investment.

As stated above, none of the Shares may be sold, assigned or transferred by a Shareholder, in whole or in part: (a) without prior written consent of the Board; or (b) as otherwise expressly provided in the By-Laws, subject to compliance with Applicable Laws (including applicable securities laws and regulatory policy) and the transfer requirements in the By-Laws.

#### Risks Associated with Redemptions

##### *Use of Available Cash*

The payment in cash by the Corporation of the Redemption Price of Common Shares (as opposed to payment of the Redemption Price through the issuance of Redemption Notes) will reduce the amount of cash available to the Corporation for the payment of distributions to Shareholders, as cash payments of the amount due in respect of redemptions will take priority over the payment of cash distributions.

##### *Limitation on Payment of Redemption Price in Cash*

There are certain limits on the Trust's obligations to pay for redemption requests in cash. As disclosed in **Item 5.3 – Redemption of Common Shares**, if the aggregate Redemption Prices for all Common Shares tendered for redemption in the same quarter exceeds the greater of \$150,000 per calendar quarter or 1.25% of Assets Under Management per quarter, the Board will only be required to make cash payments up to such amount and the balance, subject to receipt of any applicable regulatory approvals (if any), may be paid by the Corporation through the issuance of Redemption Notes, in respect of which there will not be a public market. In addition, the Board has the discretion to not pay redemption requests in cash where it determines, in its discretion, that the Corporation has insufficient illiquid assets to fund the redemptions or the liquidation of assets at such time would be to the detriment of or adversely affect the remaining Shareholders of the Corporation generally.

### *Payment of Redemption Price - Issuance of Redemption Notes*

As noted above, the redemption of Common Shares may be paid and satisfied by way of Redemption Notes to the redeeming Shareholder. Redemption Notes will not be liquid and will not be a qualified investment for tax-deferred plans and will be a prohibited investment for tax-deferred plans. Adverse tax consequences generally may apply to a Shareholder, or tax-deferred plan and/or its annuitant, beneficiary thereunder or holder thereof, as a result of the redemption of Common Shares. Accordingly, investors that propose to invest in Common Shares through tax-deferred plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Common Shares.

### *Redemption Notes will be Unsecured*

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

### *Payment of Redemption Notes*

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

### *Priority of Redemption Notes over Common Shares*

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

### Cash Distributions

There is no assurance that there will be adequate cash flow of the Corporation to meet the anticipated obligations and economic objectives described in this Offering Memorandum. The Corporation's sources of capital are primarily subscriptions for Shares. The Corporation may not have any available funds to distribute cash or pay expenses.

Cash distributions of the Corporation will substantially depend upon the success of Cannabis Investments, and will be subject to various factors including the other factors referenced in this **Item 8 - RISK FACTORS**. There can be no assurance that the Corporation's income from the distributions from Cannabis Investments will sufficiently fund distributions (if any) to Shareholders.

If the Corporation is unable to distribute cash (if any), the Corporation will need to find other sources of financing to pay for its ongoing costs and expenses or to fund distributions (if any), which other sources of financing may not be available or may not be available under terms that are acceptable to the Corporation. In addition, the composition of distributable cash for tax purposes may change over time and may affect after tax returns for Shareholders.

The return on an investment in the Shares is not comparable to the return on an investment in fixed income securities. Cash distributions to Shareholders are not guaranteed and are not fixed obligations of either Corporation; any receipt of cash distributions by a Shareholder is at any time subject to the terms of the Corporation's articles of declaration. The value of the Shares may decline if the Corporation is unable to meet its cash distribution targets in the future and that decline may be significant.

### Income Tax Risks

Canadian federal and provincial tax aspects and local tax aspects should be considered prior to purchasing Shares under the Offering. Shareholders are urged to consult their own tax advisors, prior to purchasing Shares, with respect to the specific tax consequences to them. No advance income tax ruling has been applied for or received with respect

to the income tax consequences described in this Offering Memorandum. The Corporation has not received a legal opinion with respect to the income tax consequences described in this Offering Memorandum.

The taxation of corporations is complex. In the ordinary course of its activities, the Corporation may be subject to ongoing audits by tax authorities. In addition, tax legislation may change periodically.

While the Corporation believes that its tax filing position is appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on the Corporation's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect the Corporation's tax position. As a consequence, the Corporation is unable to predict with certainty the effect of the foregoing on its effective tax rate and earnings. The Corporation will review the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes differ materially from the provisions, the Corporation's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved.

Although the Corporation is of the view that all expenses to be claimed by it in the determination of its income under the Tax Act will be reasonable and deductible in accordance with the applicable provisions of the Tax Act and that the allocations of income and losses to be made for purposes of the Tax Act will be reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the CRA will agree with the expenses claimed.

#### No Review of Offering Memorandum by Regulatory Authorities

Potential Subscribers will not have the benefit of a prior review of this Offering Memorandum, the By-Laws, material agreements or any other documents in relation to the Offering by any regulatory authorities.

#### Dilution/Concentration

The Corporation is authorized to issue an unlimited number of Common Shares. Any issuance of additional Common Shares may have a dilutive or concentrative effect on the value of Shares. However, no additional class or series of Common Shares will be created which are/or will be detrimental to the current Common Shares.

#### Borrowing

Although the Corporation does not expect to borrow material amounts, the Corporation may borrow up to an amount equal to 25% of the Assets Under Management at the time of borrowing to help fund its business and operations. There can be no assurance such borrowings will be made available to the Corporation on terms acceptable to the Corporation, or at all. If borrowings are required, this might impact on the Corporation's ability to carry on business as expected, or result in additional dilution to Shareholders as it issues additional equity to raise the required funds. If the Corporation does borrow funds, there can be no assurance that the interest expense and banking fees associated with such borrowings will exceed the incremental benefit to the Corporation's investment portfolio. In addition, if the borrowings (if any) have not been repaid prior to the implementation of a liquidity event, this may reduce the amounts that would otherwise be distributable to Shareholders.

#### Nature of the Shares

Each class of Common Share represents an equal undivided beneficial interest in the assets of the Corporation attributable for investment by holders of such Common Shares. The Shares do not represent debt instruments and there is no principal amount owing to Shareholders under the Shares.

## **8.2 Risks Associated with the Corporation**

#### Lack of Operating History

The Corporation has a lack of operating history upon which potential Subscribers may evaluate its performance. There can be no assurance the Corporation will be in a position so that its targeted returns can be met. There can be no

assurance that the Corporation will be able to implement its investment strategy and investment approach (including purchases of securities of private issuers in the cannabis sector) or that a Shareholder will receive a return on his or her investment. Therefore, a Subscriber should invest in the Corporation only if the Subscriber can withstand the loss of its entire investment.

#### Valuation of the Corporation Property

Valuation of the Corporation Property may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value per Common Share could be adversely affected. Certain pricing information may not at times be available regarding certain of the properties. Valuation determinations will be made in good faith in accordance with the Fund Management Agreement.

The Corporation may own assets/properties which by their very nature may be difficult to value accurately. To the extent that the value assigned to any such asset/property differs from the actual market value, the Net Asset Value per Common Share may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Shareholder who redeems all or part of their Shares while the Corporation holds such assets/properties will be paid an amount less than such Shareholder would otherwise be paid if the actual value of such properties is higher than the value designated by the Corporation. Similarly, there is a risk that such Shareholder might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Corporation in respect of a redemption. In addition, there is risk that an investment in the Corporation by a new Subscriber (or an additional investment by an existing Shareholder) could dilute the value of such investments for the other Shareholders if the actual value of such investments is higher than the value designated by the Corporation. Further, there is a risk that a new Shareholder (or an existing Shareholder that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Corporation. The Corporation does not intend to adjust the Net Asset Value or the Net Asset Value per Common Share for each class of Common Shares retroactively.

The valuation of assets of the Corporation for the purpose of determining subscription and redemption prices of Shares and the calculation of applicable fees, may not be in accordance with International Financial Reporting Standards but will generally be in accordance with industry practice.

#### Conflicts of Interest

There may be situations where the interests of the Corporation or the Board conflict with the interests of the Corporation's affiliates and/or the officers and directors of various other entities, including the Asset Manager, who is a related party to the Corporation. Although the Corporation has adopted certain procedures to help minimize conflicts of interest, including the Conflicts of Interest Policy (see **Item 3.5 – Governance**), there are no assurances that conflicts of interest will not arise which cannot be resolved in a manner most favourable to holders of Common Shares. Persons considering a purchase of Common Shares pursuant to this Offering must rely on the judgment and good faith of the shareholders, directors, officers and employees of the Corporation in resolving such conflicts of interest as may arise.

The Board and management of the Corporation are required to satisfy a standard of care in exercising their duties with respect to the Corporation. However, neither the Board nor the officers, or employees of the Corporation are required to devote all or any specified portion of their time to their responsibilities relating to the Corporation. The Asset Manager and its officers, employees and affiliates of the Corporation may undertake financial, investment or professional activities, which give rise to conflicts of interest with respect to the Corporation.

Certain inherent conflicts of interest arise from the fact that the Asset Manager may carry on investment activities for other clients or on a proprietary basis in which the Corporation will have no interest. Future investment activities by the Asset Manager, including the establishment of other investment entities, may give rise to additional conflicts of interest.

#### Non-Arm's Length Transactions

Subject to the Conflicts of Interest Policy, certain transactions contemplated by the Corporation's structure involve non-arm's length parties. As such, certain contractual terms usually contained in documentation that is negotiated at arm's length are not necessarily included in the agreements between the Corporation and the Asset Manager as those terms would not have the same effect as they would have in transactions between unrelated parties. In particular,

some of the material agreements described in **Item 2.7 - Material Agreements** involve non-arm's length parties. In addition, as of the date of this Offering Memorandum, one of the Board members is also the sole director of the Asset Manager. As such, the Corporation is not considered independent of the Asset Manager. Further, the Asset Manager may be considered a promoter of the Corporation under applicable securities legislation for having taken the initiative in the founding of the Corporation. Accordingly, the Asset Manager and the Corporation are not considered to be at arm's length.

#### Disclosure Obligations

The Corporation is not a reporting issuer and does not have any continuous disclosure obligations of a reporting issuer. As an issuer that uses the Offering Memorandum exemption, the Corporation will make reasonably available to Shareholders such information as required by applicable securities laws for a non-reporting issuer that distributes securities using the "offering memorandum" exemption (including audited annual financial statements, annual notices of use of proceeds and notices of certain key events, if any, and when applicable). See **Item 9 - REPORTING OBLIGATIONS**.

#### Securities Regulatory Risks

In the ordinary course of business, the Corporation may be subject to ongoing reviews by the securities regulators, who have broad powers to pass, interpret, amend and change the interpretation of securities laws from time to time and broad powers to protect the public interest and to impose terms, conditions, restrictions or requirements regarding registration under securities laws. Further, the securities regulators have the authority to retroactively deny the benefit of an exemption from prospectus or registration requirements otherwise provided for in the securities laws where the regulator considers it necessary to do so to protect investors or the public interest.

While the Corporation believes that its position regarding compliance with securities laws is appropriate and supportable, it is possible that securities matters may be reviewed and challenged by the securities authorities. If such challenge were to succeed, it could have a material adverse effect on the Corporation. There can be no assurance that applicable securities laws or the securities regulators interpretation thereof or the practices of the securities regulators will not be changed or re-interpreted in a manner that adversely affects the Corporation.

#### Reliance upon the Asset Manager and the Fund Manager

The Corporation depends upon the Asset Manager to provide the Corporation with the services outlined in the Asset Management Agreement and, in particular, the Corporation depends upon the expertise of the Asset Manager's management. In the event that the Asset Manager experiences a material adverse change in its business, such change may have an impact on the Corporation.

The Corporation also depends on the Fund Manager to direct the day to day operations of the Fund in accordance with the Fund Management Agreement. In the event the Fund Manager ceases to provide such services, the Corporation will be required to secure them from an alternative service provider, and there is no assurance the Corporation will be able to do so on terms acceptable to the Corporation or at all.

#### Financing

The proceeds raised by the Offering may not be sufficient to accomplish all of the Corporation's objectives and there is no assurance that alternative financing to pay for such objectives will be available. The Corporation will require access to capital to fund its investment strategies. There can be no assurance that the Corporation will have access to sufficient capital or access to capital on terms favourable to the Corporation for future investment, funding operating expenses or other purposes.

#### Acquisitions

The growth of Corporation's investment capital depends in large on identifying suitable Cannabis Investments opportunities, pursuing such opportunities and consummating acquisitions. It is not possible to manage all risks associated with such acquisitions in the terms and conditions contained in commercial agreements pertaining to such acquisitions. Cannabis Investments may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect the Corporation's operations and financial condition and results. The representations

and warranties, if any, given by arm's length third parties to the Corporation may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

### Key Personnel

The Corporation's success depends in large measure on certain key executive personnel of the Corporation, the Asset Manager and the Fund Manager. The loss of services of such key personnel could have a material adverse effect on the Corporation. The Corporation does not have key person insurance in effect for management of the Corporation. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Potential Subscribers and Shareholders must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

### Litigation Risks

In the normal course of the Corporation's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from the Corporation's business operations, which could have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to make distributions to Shareholders.

### Information Technology Governance and Security, Including Cyber Security

In the ordinary course of the Corporation's business, the Corporation collects, stores, processes and/or transmits sensitive data belonging to Subscribers, Shareholders, partners, vendors, employees and contractors, as well as, proprietary business information and intellectual property of the Corporation and the companies that comprise the Cannabis Investments. The secure processing, maintenance and transmission of this information is critical to the business of the Corporation. The Corporation has implemented a secure operating framework which includes policies and governance, prevention and detection technologies, backup and recovery processes and other procedures and technology in the protection of its data, software and infrastructure assets from loss, theft, unauthorized access, vandalism, cyber-attacks, or events such as power outages or surges, floods, fires or other natural disasters. The Corporation has comprehensive cyber security and information technology governance policies and procedures in place. The Corporation has also implemented a major incidence process whereby breaches or unauthorized access to its systems are assessed and reported based on established communication protocols. Despite such security measures, data, systems and infrastructure may be vulnerable to cyber-attacks or breached due to employee error, malfeasance or other disruptions. These security breaches could materially compromise information, disrupt business operations or cause the Corporation to breach obligations, thereby exposing the Corporation to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of information whether by third parties or as a result of employee malfeasance could result in significant remediation and other costs, fines, litigation or regulatory actions against the Corporation, as well as, cause reputational harm, negatively impact the Corporation's competitive position and affect financial results. The Corporation is increasingly relying on third party data storage providers, including cloud storage solution providers, resulting in less direct control over data and system processing. Such third parties may also be vulnerable to security breaches for which the Corporation may not be indemnified and which could cause materially adverse harm to the Corporation's reputation and competitive position or affect the Corporation's financial results. Using cloud-based services means the Corporation is placing its data in the control of an external entity, so that entity must be trustworthy and capable of protecting the Corporation's data. In order to ensure that its data is secure with any cloud based storage service provider, the Corporation will do the following: read reviews and obtain recommendations on potential cloud service providers; research the security capabilities of the providers, including the anti-malware protection they use, their software patching procedures and maintenance, and their approach to encryption; enquire with the service provider as to what happens if their service goes down; restrict access to its cloud in senior management's discretion; and review any contract entered into with a cloud service provider to see where client information is stored. If client information is stored in the United States,

disclosure will be provided to clients that their data is stored in the United States and that there may be privacy considerations.

#### Employee Errors or Misconduct

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

#### Disclosure of Personal Information

Subscribers are advised that their names and other specified information, including the number and aggregate value of the Shares owned: (a) will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the Subscriber consents to the disclosure of such information; (b) is being collected indirectly by the applicable Canadian securities regulatory authority under the authority granted to it in securities legislation; and (c) is being collected for the purposes of the administration and enforcement of the applicable Canadian securities legislation.

### **8.3 Industry Risks Associated with the Corporation's Business**

#### Cannabis Industry Risk

Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, or the Cannabis Act, federally legalized adult-use (non-medical) cannabis in Canada effective as of October 17, 2018. Under the Cannabis Act, each province and territory of Canada has the ability to separately regulate the distribution and sale of cannabis within such province or territory, and the laws (including associated regulations) adopted by each province and territory may vary significantly. Each Canadian province and territory has enacted and implemented regulatory regimes for the distribution and sale of cannabis for adult use; however, there is no guarantee that provincial and territorial legislation regulating the distribution and sale of cannabis for adult use, or the application and enforcement of such legislation, will not change in the future. Any such change could result in significant additional compliance or other costs and may make participation in such markets uneconomical. Since cannabis was only recently legalized in Canada, there may be inconsistencies in the interpretation and enforcement of the Cannabis Act and the Cannabis Regulations (SOR/ 2018-144), or the Cannabis Regulations, and associated provincial and territorial rules and regulations. In addition, Health Canada has experienced delays in approving applications for new licences, capacity expansions and employee security checks. Additional inconsistencies, changes or delays could have a material adverse effect on the Corporation's business and results of operations.

In addition, regulations are continuing to be developed for different aspects of the adult-use cannabis industry in Canada. For example, on June 26, 2019, Health Canada published amendments to the Cannabis Regulations to expand the permitted formats for products that contain or are derived from cannabis to include edible cannabis, cannabis extracts and cannabis topicals. These regulations came into force on October 17, 2019 and sales of edible cannabis, cannabis extracts and cannabis topicals commenced in late 2019. While certain of the Corporation's investee companies offer or intend to offer edible cannabis products, the regulations and market for such products and adult-use cannabis generally may not develop, or may not develop as we expect or on the timeline that we expect, which could have a material adverse effect on our business and results of operations.

The federal and provincial or territorial legislation and regulatory regimes for cannabis products also include excise duties payable by licensed cannabis producers on adult-use cannabis products, in addition to goods and services tax or harmonized sales tax in certain provinces and territories. The rate of the excise duties for cannabis products varies by province and territory. Any significant increase in the rate of excise duties on cannabis products in the future could reduce consumer demands for cannabis products and adversely impact the adult-use cannabis industry and market in

general. In addition, any increase in the rate of excise duties on cannabis products in the future could reduce the Corporation's investee companies' margins and profitability in the event that we could not or chose not to pass along such increases to consumers.

It is possible that further legal and regulatory developments could significantly adversely affect the business, financial condition and results of businesses involved in the cannabis industry and which could make it more difficult, if not impossible, for the Corporation to operate or to achieve its investment objectives. To the extent possible, the Asset Manager will attempt to monitor such changes to determine the impact these changes may have on the Corporation and what can be done, if anything, to try to limit such impact.

There can be no assurance that federal, provincial or state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, that proposed federal, provincial or state laws legalizing and regulating the sale and use of cannabis will become law, or that governmental authorities will not limit the application of such laws within their respective jurisdictions. If governmental authorities begin to enforce certain laws relating to cannabis in jurisdictions where the sale and use of cannabis is currently legal, or if existing laws are repealed or curtailed, the Corporation's investments in such businesses may be materially and adversely affected notwithstanding the fact that the Corporation is not directly engaged in the sale or distribution of cannabis. Actions by governmental authorities against any individual or entity engaged in the cannabis industry, or a substantial repeal of cannabis related legislation, could adversely affect the Corporation and the Corporation Property.

As a result of perceived reputational risk, companies in the marijuana sector may in the future have difficulty establishing or maintaining bank accounts, or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on companies in this sector.

#### Future Investments

There is no certainty that the Corporation will be able to identify suitable or sufficient opportunities that meet its investment criteria and be able to acquire additional high-quality assets at attractive prices to supplement its growth in a timely manner, or at all. Even if investments are identified and the acquisition of the same or an interest therein is determined to be in the best interest of the Corporation, it may fail to value opportunities accurately or to consider all relevant factors that may be necessary or helpful in evaluating an opportunity, or it may underestimate the costs necessary to bring an acquisition up to standards established for its intended market position, may be exposed to unexpected risks and costs associated with Cannabis Investments, and/or be unable to quickly and effectively integrate new acquisitions into its existing operations or exit from the Cannabis Investment on favorable terms. If the Corporation is unable to identify and acquire suitable additional investments, its business, operating results and financial condition could be adversely affected

#### Market Risks

The economic performance and value of Cannabis Investments will be subject to the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Corporation is exposed is equity price risk and interest rate risk.

The Corporation is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Cannabis Investments are subject to fluctuations in fair value arising from changes in the equity market.

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents and fixed income securities held.

#### Cannabis Investments are Relatively Illiquid

Cannabis Investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of, the investment. Such illiquidity may tend to limit the Corporation's

ability to vary its asset base promptly in response to changing economic or investment conditions. If the Corporation is unable to sell an asset, the Corporation may not be able to realize profits and/or minimize losses with respect to the asset and this in turn may adversely affect the Net Asset Value and the return on investment in securities of the Corporation.

#### Currency Risk

The Corporation is exposed to currency risk which is the risk that the fair value of future cash flows from the Corporation's operations will fluctuate due to changes in foreign exchange rates.

#### Concentration Risk

The Corporation is exposed to concentration risk which is the risk that any single investment or group of investments will have the potential to materially affect the Corporation's operating results.

#### Risks Relating to the Cannabis Investment Issuers

As the Corporation will invest in businesses in the cannabis industry, the Corporation could be impacted by the business, prospects, financial position, financial condition or operating results of the companies within the portfolio of Cannabis Investments. The Corporation will also have exposure to the risks associated with an investment in its investee issuers to the extent of its investment.

#### Risks Relating to Medical Cannabis

Adult-use cannabis was legalized in October 2018 and the full effect of that on the Canadian medical cannabis market remains unknown. If medical-use consumers decide to purchase products available in the adult-use market instead of continuing to purchase them under the medical use regime, the Corporation's ability to invest in and grow a medical cannabis business in Canada may be negatively affected.

Research in Canada, the United States and internationally regarding the benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids, such as CBD and THC, remains in relatively early stages. Few clinical trials on the benefits and risks of cannabis or isolated cannabinoids have been conducted.

Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical or adult-use cannabis, which could adversely affect social acceptance of cannabis and the demand for the Corporation's investee company's cannabis products.

Clinical trials of cannabis-based medical products and treatments are novel and there is a limited or non-existent history of clinical trials relating to cannabis generally. Clinical trials relating to the Corporation's investee company's current or future products are or will be, subject to extensive and rigorous review and regulation by numerous government authorities in Canada and in other countries where an investee company intend to test its products and product candidates. The process of obtaining regulatory approvals for pre-clinical testing and clinical trials can take many months or years and require the expenditure of substantial resources. The Corporation is subject to the risk that a significant portion of these development efforts may not be successfully completed, required regulatory approvals may not be obtained, or an investee company's products may not be commercially successful.

#### Legislative Changes

Legal, tax and regulatory changes may occur that can adversely affect the Corporation or the Shares. There can be no assurance that income tax, securities and other laws will not be changed in a manner that adversely affects the Corporation or the Shares. Likewise, increases in real estate taxes, service and transfer taxes, or introductions of new taxes may adversely affect the Corporation's ability to make interest payments or distributions of cash to the Corporation and in turn, the Corporation's ability to make cash distributions to its Shareholders. Similarly, changes or interpretations of existing laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions, as well as changes in laws affecting development, construction and safety requirements, may result in significant unanticipated expenditures, which could also have an

adverse effect on the companies within the Cannabis Investment portfolio's ability to make interest payments or distributions of cash to the Corporation and in turn, the Corporation's ability to make cash distributions to its Shareholders.

**The foregoing risk factors do not purport to be a complete explanation of all risks involved in purchasing the Shares. Potential Subscribers should read this entire Offering Memorandum and consult with their legal and other professional advisors before determining to invest in the Shares.**

## **ITEM 9 - REPORTING OBLIGATIONS**

The Corporation is not, and has no current intention of becoming, a reporting issuer (or holding an equivalent reporting status) in any jurisdiction in Canada or the United States and, accordingly, is not required to report, financially or otherwise, to the Shareholders. As a result, the Corporation is not subject to the continuous disclosure requirements under applicable securities laws, and is not required, among other things, to prepare, file, disseminate or send to securities holders unaudited interim financial statements, annual or interim versions of management's discussion and analysis of financial condition and operating results, news releases disclosing material changes or facts about the activities of the Corporation.

Pursuant to applicable securities laws in relation with relying on the offering memorandum prospectus exemption, the Corporation will send to Shareholders within 120 days after the end of each fiscal year of the Corporation (or within such shorter time as may be required by applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities in Canada), the audited annual financial statements of the Corporation for the fiscal year ended immediately prior to such date, together with comparative financial statements for the preceding fiscal year, if any, and the report of the Auditor thereon. The Corporation will prepare such audited annual financial statements in accordance with IFRS; provided that such statements and the obligations to deliver such statements may vary from such principles to the extent required to comply with Applicable Law, including securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities.

The Corporation will make reasonably available to Shareholders such information as required by applicable securities laws for a non-reporting issuer that distributes securities using the "offering memorandum" exemption (including audited annual financial statements, annual notices of use of proceeds and notices of certain key events, if any, and when applicable).

On or before March 31<sup>st</sup> in each year (or within such other time required by the Tax Act), the Corporation will provide to Shareholders who received distributions from the Corporation in the prior calendar year, such information regarding the Corporation required by Canadian law to be submitted to Shareholders for income tax purposes to enable Shareholders to complete their tax returns in respect of the prior calendar year.

The Corporation will file, on behalf of itself and the Shareholders, annual trust information returns and any other information returns required to be filed under the Tax Act and any other applicable tax legislation in respect of the Corporation.

**Financial or other information relating to the Corporation and provided to you in the future may not by itself be sufficient for you to assess the performance of your investment.**

Certain information regarding the Corporation's distribution of securities from time to time may be publicly available at the offices of applicable securities regulatory authorities and online at [www.sedar.com](http://www.sedar.com).

The Corporation will provide the Shareholders with an annual report. This report will not be available on [www.sedar.com](http://www.sedar.com) but will instead be provided to each Shareholder electronically. Along with the annual report, the Corporation will also provide investors with the annual report of the Independent Directors in connection with any conflicts of interest matters considered by the Board in the previous fiscal year.

## ITEM 10 - RESALE RESTRICTIONS

### 10.1 General

The Shares 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 Shares unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

For trades in any province of Canada, other than Manitoba, unless permitted under securities legislation, you cannot trade the Shares before the date that is four months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada. **The Corporation is not, and has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Shares will be subject to an indefinite hold period and may only be transferred under limited exemptions under applicable securities laws.**

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

- (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the Shares you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Shares for at least 12 months.

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

### 10.2 Transfer Restrictions in the By-Laws

Shareholders may only transfer their Common Shares in accordance with the provisions of the By-Laws. A Shareholder is not entitled to transfer (whether by sale, assignment or otherwise) any of its Common Shares except:

- (a) with the prior, written consent of the Board; or
- (b) as otherwise expressly provided in the By-Laws,

subject always to compliance with Applicable Law (including applicable securities laws and regulatory policy) and the transfer requirements in the By-Laws. Any attempted transfer (whether by sale, assignment or otherwise) of Common Shares in contravention of the By-Laws is null and void and the Board will not approve any transfer of Common Shares in contravention of the By-Laws. The Board is authorized to make such rules and regulations, in their discretion, may from time to time consider necessary or desirable in connection with the transfer (whether by sale, assignment or otherwise) of Common Shares.

**There is no market over which the Shares can be transferred and it is very unlikely that one will develop. A Subscriber is encouraged to seek independent advice from its legal advisors. See Item 8 - RISK FACTORS.**

## ITEM 11 - PURCHASERS' RIGHTS

The securities laws in your jurisdiction may provide you with the statutory right, in certain circumstances, to seek damages or to cancel your agreement to buy Shares. Most often, those rights are available, if we make a misrepresentation in this Offering Memorandum but, in some jurisdictions, you may have those rights in other circumstances, including if we fail to deliver the Offering Memorandum to you within the required time or if we make a misrepresentation in any advertisements or sales literature regarding Shares. Generally, a “**misrepresentation**” means an untrue statement about a material fact or the failure to disclose a material fact that is required to be stated or that is necessary in order to make a statement not misleading in light of the circumstances in which it was made. The meaning of “misrepresentation” may differ slightly depending on the law in your jurisdiction.

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

## **11.1 Two-day Cancellation Right**

You can cancel your agreement to purchase these Shares. To do so, you must send a notice to us by midnight on the second Business Day after you sign the Subscription Agreement to buy the Shares.

## **11.2 Statutory Rights of Action**

The following is a summary of the rights of rescission and damages, available to Subscribers under the securities legislation of certain provinces of Canada. Subscribers should refer to the applicable provisions of the securities legislation of their province of residence for the particulars of rights available to them, or consult with a legal adviser. The rights described below are in addition to and without derogation from any other rights or remedies available at law to a Subscriber.

### **11.2.1 Subscribers in British Columbia**

Section 132.1 of the *Securities Act* (British Columbia) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment hereto, is delivered to a purchaser resident in British Columbia who purchases Shares in reliance on the “offering memorandum” prospectus exemption set out in section 2.9 of NI 45-106 and contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the misrepresentation and will have a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum for damages or, alternatively, while still the owner of the Shares, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages more than the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (c) no person or company (but excluding the Issuer) will be liable if the person or company proves that (i) the offering memorandum was 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 written notice to the Issuer that it was delivered without the person’s or company’s knowledge or consent, (ii) on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person’s or company’s consent to the offering memorandum and gave written notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum 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;
- (d) no person or company (but excluding the Issuer) will be liable with respect to any part of the 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 expert unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;
- (e) no person is liable for a misrepresentation in forward-looking information if the person proves that
  - (i) the offering memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results

to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and

- (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (f) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the Shares as a result of the misrepresentation; and
- (g) in no case will the amount recoverable exceed the price at which the Shares were sold to the purchaser.

### 11.2.2 Subscribers in Alberta

Section 204 of the *Securities Act* (Alberta) provides that where an offering memorandum, such as this Offering Memorandum, together with any amendment to it, is delivered to a purchaser resident in Alberta, in connection with the distribution of securities in reliance on the “offering memorandum” prospectus exemption set out in section 2.9 of NI 45-106 or the “minimum amount investment” or “\$150,000 investment” prospectus exemption in section 2.10 of NI 45-106, and contains a misrepresentation, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum for damages or, alternatively, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages more than the earlier of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (B) three years from the date of purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) no person or company (but excluding the Issuer) will be liable if the person or company proves that (i) the offering memorandum was delivered to the purchaser without the person’s or company’s knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable notice to the Executive Director of the Alberta Securities Commission and the Issuer that it was delivered without the person’s or company’s knowledge or consent, (ii) after the sending of the offering memorandum and before the purchase of the Shares, on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person’s or company’s consent to the offering memorandum and gave reasonable notice to the Executive Director of the Alberta Securities Commission and the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the 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 there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person or company (but excluding the Issuer) will be liable with respect to any part of the 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 expert unless the person or company failed to conduct an investigation to provide reasonable grounds for a belief that there had been no misrepresentation, and believed that there had been a misrepresentation;

- (e) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation; and
- (f) in no case will the amount recoverable exceed the price at which the securities were sold to the purchaser.

Under Section 205.1, a person or company is not liable in an action under section 204 for a misrepresentation in forward-looking information if the person or company proves:

- (a) the offering memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (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.

### 11.2.3 Subscribers in Saskatchewan

Section 138 of The Securities Act, 1988 (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum, such as this Offering Memorandum, or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation, a purchaser who purchases a security covered by the 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 Issuer on whose behalf the distribution is made or has a right of action for damages against:

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

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

- (a) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it will have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to

provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

- (d) in no case will the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

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

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

Under section 139.1, no person or company is liable in an action under section 138 for a misrepresentation in forward-looking information if the person or company proves:

- (a) with respect to the document containing the forward-looking information, proximate to that information there is contained, reasonable cautionary language identifying the forward-looking information as such, identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (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.

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

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

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

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

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was 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 or its regulations.

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

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

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

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(4) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two Business Days of receiving the amended offering memorandum.

#### **11.2.4 Subscribers in Manitoba**

Section 141.1 of the *Securities Act* (Manitoba) provides that if an offering memorandum, such as this Offering Memorandum, contains a misrepresentation a purchaser resident in Manitoba is deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action against the applicable Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person or company who signed the memorandum for damages, or alternatively, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission, more than 180 days after the date of the purchase; or
  - (ii) for damages, more than the earlier of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (B) two years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) no person or company (excluding the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge and consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (excluding the Issuer) will be liable with respect to any part of the memorandum not purporting to be made on the authority of an expert and not purporting to be a

copy of, or an extract from, an expert's report, opinion or statement, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;

- (e) in action for damages, a defendant will not be liable for any portion of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (f) in no case will the amount recoverable exceed the price at which the securities were sold to the purchaser.

Under section 141.1.2, a person or company is not liable in an action under section 141.1 for a misrepresentation in forward-looking information if the person or company proves that:

- (a) the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

#### **11.2.5 Subscribers in Ontario**

Section 130.1 of the *Securities Act* (Ontario) provides that where an offering memorandum, such as this Offering Memorandum, together with any amendment hereto, delivered to a purchaser of securities resident in Ontario contains a misrepresentation and it was a misrepresentation at the time of purchase of securities by such purchaser, the purchaser will have, without regard to whether the purchaser relied on such misrepresentation, a right of action against the Issuer for damages or, while still the owner of the securities of the Issuer purchased by that purchaser, 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 Issuer, provided that:

- (a) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:
  - (i) in the case of an action for rescission, 180 days after the date of purchase; or
  - (ii) in the case of an action for damages, the earlier of (A) 180 days after the date the purchaser first had knowledge of the misrepresentation, and (B) three years after the date of purchase;
- (b) the Issuer will not 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 Issuer will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- (d) the Issuer will not be liable for a misrepresentation in forward looking information if the Issuer proves:
  - (i) that the offering memorandum contains, proximate to that information, reasonable cautionary language identifying the forward looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information;

- (ii) the reasonable cautionary language and disclosure of material factors appear proximate to the forward-looking information; and
- (iii) the Issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward looking information; and
- (e) in no case will the amount recoverable in any action exceed the price at which the securities were offered.

The foregoing rights do not apply if the purchaser is:

- (a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank;
- (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.

#### **11.2.6 Subscribers in New Brunswick**

Section 150 of the *Securities Act* (New Brunswick) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to it, delivered to a purchaser resident in New Brunswick contains a misrepresentation that was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied on the misrepresentation and will have a right of action for damages against the Issuer, every person who was a director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum or, alternatively, while still the owner of the Shares, for rescission, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages more than 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 purchase;
- (b) the Issuer will not be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (c) in an action for damages, the Issuer will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable exceed the price at which the Shares were sold to the investor.

Under section 154.1, a person is not liable under section 150 for a misrepresentation in forward-looking information if the person proves:

- (a) that the offering memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and
- (b) that the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

### 11.2.7 Subscribers in Nova Scotia

Section 138 of the *Securities Act* (Nova Scotia) provides that, where an offering memorandum, such as this Offering Memorandum, together with any amendment to it or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)), contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser resident in Nova Scotia will be deemed to have relied upon the misrepresentation and will have a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), for damages or, alternatively, while still the owner of the Shares, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action more than 120 days:
  - (i) after the date on which payment was made for the Shares; or
  - (ii) after the date on which the initial payment was made;
- (b) no person or company will be liable if the person or company proves that the investor purchased the Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) 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, (ii) after delivery of the offering memorandum and before the purchase of the Shares by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable general notice of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum 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;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert, or to be a copy, or an extract from, a report, opinion or statement of 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;
- (e) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and
- (f) in no case will the amount recoverable in any action exceed the price at which the Shares were sold to the investor.

Under section 139A, no person or company is liable under section 138 for a misrepresentation in forward-looking information if the person or company proves:

- (a) the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

- (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.

### 11.2.8 Subscribers in Prince Edward Island

Section 112 of the *Securities Act* (Prince Edward Island) provides that, where an offering memorandum, such as this Offering Memorandum, together with any amendment to it, are delivered to a purchaser resident in Prince Edward Island contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), for damages or, alternatively, while still the owner of the purchased Shares, for rescission against the Issuer, provided that:

- (a) no action will be commenced to enforce the foregoing rights:
  - (i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
  - (ii) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action, or (ii) three years after the date of the transaction that gave rise to the cause of the action;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if it proves that (i) the offering memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice that it was delivered without the person's or company's knowledge or consent, (ii) after the delivery of the offering memorandum and before the purchase of the Shares by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum 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;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the 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, an opinion or a 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;
- (e) no person is liable for a misrepresentation in forward-looking information if:
  - (i) the offering memorandum containing the forward-looking information also contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information;

- (f) in 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 Shares as a result of the misrepresentation relied upon; and
- (g) in no case will the amount recoverable exceed the price at which the Shares were sold to the investor.

### **11.2.9 Subscribers in Newfoundland and Labrador**

Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to it or any record incorporated by reference in, or considered to be incorporated into an offering memorandum contains a misrepresentation and it was a misrepresentation at the time of purchase, a purchaser in the Province of Newfoundland and Labrador has, in addition to any other right that the purchaser may have under law and without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person or company who signed the offering memorandum (if applicable), for damages or, alternatively, while still the owner of the purchased Shares, for rescission against the Issuer (in which case the purchaser will cease to have a right of action for damages), provided that:

- (a) no action will be commenced to enforce the foregoing rights:
  - (i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
  - (ii) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action; or (ii) three years after the date of the transaction that gave rise to the cause of the action;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if:
  - (i) 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;
  - (ii) the person or company proves that the person or company, on becoming aware of any misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice of the withdrawal to the Issuer and the reason for it;
  - (iii) with respect to any part of the 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 statement of an expert, the person or company proves that they 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 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; and
  - (iv) 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) 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;

- (d) in an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Shares as a result of the misrepresentation; and
- (e) in no case will the amount recoverable exceed the price at which the Shares were offered to the investor under the offering memorandum.

#### **11.2.10 Subscribers in Yukon**

Section 112 of the *Securities Act* (Yukon) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to this it, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), or alternatively, while still the owner of the purchased Shares, a right of rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's consent, and that, after becoming aware of its delivery, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation;
- (e) the Issuer will not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
  - (i) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the Issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

- (f) in 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 Shares as a result of the misrepresentation relied upon; and
- (g) in no case will the amount recoverable exceed the price at which the Shares were sold to the purchaser.

#### **11.2.11 Subscribers in Northwest Territories**

Section 112 of the *Securities Act* (Northwest Territories) provides that, if an offering memorandum, such as this Offering Memorandum, together with any amendment to it, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), or alternatively, while still the owner of the purchased Shares, a right of rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's consent, and that, after becoming aware of its delivery, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not 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;
- (e) the Issuer will not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
  - (i) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the Issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

- (f) in 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 Shares as a result of the misrepresentation relied upon; and
- (g) in no case will the amount recoverable exceed the price at which the Shares were sold to the purchaser.

#### **11.2.12 Subscribers in Nunavut**

Section 112 of the *Securities Act* (Nunavut) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to this Offering Memorandum, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, the Manager and every person who signed the offering memorandum (if applicable), or alternatively, while still the owner of the purchased Shares, a right of rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's consent, and that, after becoming aware of its delivery, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation;
- (e) the Issuer will not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
  - (i) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the Issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

- (f) in 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 Shares as a result of the misrepresentation relied upon; and
- (g) in no case will the amount recoverable exceed the price at which the Shares were sold to the purchaser.

### **11.3 Contractual Rights of Action**

#### **11.3.1 Rights for Investors in Québec**

Notwithstanding that the securities legislation in Québec does not provide or require the Issuer to provide to purchasers resident in Québec any rights of action in circumstances where this Offering Memorandum or any amendment to this Offering Memorandum contains a misrepresentation, the Issuer grants to such purchasers the same rights of action for damages or rescission as those afforded to residents of British Columbia who purchase the Shares in reliance on the offering memorandum exemption set out in section 2.9 of NI 45-106, as described above under “Statutory Rights of Action”.

#### **11.3.2 Rights for Investors in British Columbia Purchasing as “Accredited Investors” or in reliance on the “Friends, Family and Business Associates” Exemption or the “Minimum Amount Investment” Exemption**

Investors resident in British Columbia who purchase the Shares in reliance on the “accredited investor”, “friends, family and business associates”, or “minimum amount investment” exemptions set out in sections 2.3, 2.5 and 2.10 of NI 45-106, respectively, will be entitled to the same rights of action for damages or rescission as those afforded to residents of British Columbia who purchase the Shares in reliance on the offering memorandum exemption set out in section 2.9 of NI 45-106, as described above under “Statutory Rights of Action”.

#### **11.3.3 Rights for Investors in Alberta Purchasing as “Accredited Investors” or in reliance on the “Friends, Family and Business Associates” Exemption**

Investors resident in Alberta who purchase Shares in reliance on the “accredited investor” or “friends, family and business associates” exemptions set out in sections 2.3 and 2.5 in NI 45-106 will be entitled to the same rights of action for damages or rescission as those afforded to residents of Alberta who purchase the Shares in reliance on the offering memorandum exemption set out in section 2.9 of NI 45-106, as described above under “Statutory Rights of Action”.

## **ITEM 12 - FINANCIAL STATEMENTS**

The following financial statements are included in this Offering Memorandum:

1. Audited financial statements of the Corporation for the year ending December 31, 2018.
2. Unaudited financial statements of the Corporation for the nine months ending September 30, 2019.

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**Financial Statements**

**CannaIncome Fund Corporation**

**For the period from the date of incorporation on January 31, 2018 to  
December 31, 2018 (Stated in Canadian Dollars)**

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## **Independent Auditor's Report**

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To the Shareholders of CannalIncome Fund Corporation:

### **Qualified Opinion**

We have audited the financial statements of CannalIncome Fund Corporation, which comprise the statement of financial position as at December 31, 2018, and the statements of net income and comprehensive income, changes in shareholders' equity and cash flows for the period from incorporation on January 31, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period from incorporation on January 31, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

### **Basis for Qualified Opinion**

The Company invested \$100,000 in MyCare Medtech Inc. and at December 31, 2018 the investment has been recorded on the statement of financial position at its cost. We were unable to obtain sufficient appropriate audit evidence about the fair value of the investment at December 31, 2018. Accordingly, we were unable to determine whether adjustments to investments, unrealized gain on investments or unrealized loss on investments might be necessary.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Calgary, Alberta  
October 2, 2019

Chartered Professional Accountants

# CannaIncome Fund Corporation

Statement of Financial Position  
As at December 31, 2018

|   | Note | 2018                |
|---|------|---------------------|
| <b>Assets</b>                                       |      |                     |
| <b>Current assets</b>                               |      |                     |
| Cash  |      | \$ 606,172          |
| Investments   | 4    | 2,027,535           |
| Convertible debenture                               | 4    | 236,416             |
| Related party loan                                  | 7    | 102,000             |
| <b>Total Assets</b>                                 |      | <b>\$ 2,972,123</b> |
| <b>Liabilities</b>                                  |      |                     |
| <b>Current liabilities</b>                          |      |                     |
| Accounts payable and accrued liabilities            |      | 61,020              |
| <b>Total liabilities</b>                            |      | <b>\$ 61,020</b>    |
| <b>Shareholders' Equity</b>                         |      |                     |
| Share capital                                       | 5    | 2,738,270           |
| Warrants  | 6    | 20,583              |
| Retained earnings                                   |      | 152,250             |
| <b>Total Shareholders' Equity</b>                   |      | <b>\$ 2,911,103</b> |
| <b>Total Liabilities &amp; Shareholders' Equity</b> |      | <b>\$ 2,972,123</b> |
| <b>Subsequent Events</b>                            | 10   |                     |

“signed”  
\_\_\_\_\_  
Jeremy Ross, Director

# CannaIncome Fund Corporation

## Statement of Net Income and Comprehensive Income

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

|   | Note | 2018              |
|---|------|-------------------|
| <b>Income</b>                                   |      |                   |
| Interest income                                 |      | \$ 2,119          |
| Unrealized loss on convertible debenture        | 4    | (13,584)          |
| Unrealized gain on investments                  | 4    | 597,587           |
| Unrealized foreign exchange gain on investments | 4    | 8,239             |
| Unrealized loss on investments                  | 4    | (2,673)           |
| Realized gain on investments                    | 4    | 51,030            |
| Foreign exchange gain                           |      | 1,466             |
|   |      | 644,184           |
| <b>Expenses</b>                                 |      |                   |
| General and administrative                      |      | 1,544             |
| Investment commission                           |      | 10,000            |
| Professional fees                               |      | 35,951            |
| Marketing expense                               | 5    | 34,000            |
| Consulting services                             |      | 74,600            |
| Management fee expense                          | 7    | 35,839            |
| Share-based payments                            | 5    | 300,000           |
|   |      | 491,934           |
| <b>Net income and comprehensive income</b>      |      | <b>\$ 152,250</b> |

# CannaIncome Fund Corporation

## Statement of Changes in Shareholders' Equity

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

|  | Note | Share<br>Capital    | Warrants         | Retained<br>Earnings | Total<br>Shareholders'<br>Equity |
|--|------|---------------------|------------------|----------------------|----------------------------------|
| Balances at January 31, 2018             |      | \$ -                | \$ -             | \$ -                 | \$ -                             |
| Issuance of warrants                     | 6    | -                   | 20,583           | -                    | 20,583                           |
| Issuance of common shares                | 5    | 2,940,825           | -                | -                    | 2,940,825                        |
| Share issuance cost                      | 5    | (202,555)           | -                | -                    | (202,555)                        |
| Net income                               |      | -                   | -                | 152,250              | 152,250                          |
| <b>Balances at December 31,<br/>2018</b> |      | <b>\$ 2,738,270</b> | <b>\$ 20,583</b> | <b>\$ 152,250</b>    | <b>\$ 2,911,103</b>              |

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

|  |      | 2018           |
|--|------|----------------|
| Cash provided by (used in):                    |      |                |
|  | Note |                |
| <b>Operating Activities</b>                    |      |                |
| Net income                                     |      | \$ 152,250     |
| Adjustments for non-cash items:                |      |                |
| Unrealized gain on convertible debentures      | 4    | 13,584         |
| Unrealized gain on investments                 | 4    | (597,587)      |
| Unrealized foreign exchange gain on investment | 4    | (8,239)        |
| Unrealized loss on investments                 | 4    | 2,673          |
| Marketing expense                              | 5    | 34,000         |
| Share-based payments                           | 5    | 300,000        |
| Interest on related party loan                 | 7    | (2,000)        |
| Realized gain on investments                   | 4    | (52,020)       |
| Changes in non-cash working capital:           |      |                |
| Accounts payable and accrued liabilities       |      | 61,020         |
| Cash used in operating activities              |      | \$ (96,319)    |
| <b>Investing Activities</b>                    |      |                |
| Purchase of investments                        | 4    | \$ (1,480,227) |
| Proceeds on disposal of investments            | 4    | 107,865        |
| Purchase of convertible debenture              | 4    | (250,000)      |
| Cash used in investing activities              |      | \$ (1,622,362) |
| <b>Financing Activities</b>                    |      |                |
| Share issuance                                 | 5    | \$ 2,595,425   |
| Share issuance costs                           | 5,6  | (170,572)      |
| Advance to related party                       | 7    | (100,000)      |
| Cash provided by financing activities          |      | \$ 2,324,853   |
| <b>Increase in cash</b>                        |      | \$ 606,172     |
| <b>Cash - beginning of period</b>              |      | -              |
| <b>Cash - end of period</b>                    |      | \$ 606,172     |

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 1. Nature of operations and formation of the Corporation

CannaIncome Fund Corporation (the “Corporation”) is an investment corporation incorporated under the laws of Canada on January 31, 2018.

The Corporation’s investment objectives are to provide shareholders long-term total return through capital appreciation by investing in an actively managed portfolio of securities of public and private companies operating in or that derive a significant portion of their revenue or earnings from products or services related to the cannabis industry.

Aston Capital Advisor Corporation, formally Athena Capital Advisors Corporation (the “Manager”) will act as the manager and promoter of the Corporation and will provide all management services to the Corporation. The Corporation will make investment decisions with respect to the portfolio of private companies and PI Financial Corporation (the “Investment Manager”) will act as the Corporation’s investment manager with respect to the portfolio of public companies.

The Corporation’s registered office is located at 300 Roslyn Building, 400 – 5<sup>th</sup> Avenue SW, Calgary, AB T2P 0L6.

## 2. Basis of presentation

### a) Statement of compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at January 31, 2018. These are the Corporation’s first financial statements prepared under IFRS. These financial statements were approved by the Board of Directors on February 7, 2019.

### b) Consolidation and equity accounted investees

In accordance with IFRS 10, the Corporation prepares its financial statements on a consolidated basis if the Corporation has control over an investee. The Corporation achieves control over an investee if the Corporation has:

- i) power over the investee: rights, which exist and give the Corporation the ability to direct relevant current activities of the investee,
- ii) exposure or rights to variable returns from the Corporation’s involvement with the investee, or,
- iii) the Corporation has the ability to use its power to influence the investee and affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Corporation holds less than a majority of the outstanding voting shares or similar rights of an investee, the Corporation will consider all relevant facts and circumstances when assessing whether it has power over an investee. Based on management’s consideration of all relevant factors and circumstances, as at December 31, 2018 there are no investments that meet the criteria for control over the investee.

Investees in which the Corporation has significant influence, but it does not control or jointly control, the Corporation uses the equity method in accordance with IAS 28 in order to account for these investments. The investments are recognized initially at cost, and re-measured subsequently to include the investee’s share of the profit or loss and other comprehensive income until the date on which significant influence or joint control ceases. The Corporation is presumed to have significant control over an investee if the Corporation has directly or indirectly (i.e. through subsidiaries), 20% or more of the voting power of the investee.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 2. Basis of presentation (continued)

The existence of significant influence is further evidenced through:

- i) representation on the board of directors,
- ii) material transactions between the Corporation and the investee; or,
- iii) interchange of managerial personnel.

In assessing whether the Corporation has significant influence over an investee, management examines all facts and circumstances related to the investment. As at December 31, 2018, there are no investments that meet the criteria for significant influence.

### c) Basis of measurement

The Corporation's financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value.

### d) Functional and presentation currency

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

### e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates calculated. Significant judgments made when applying accounting policies are as follows:

#### i) Fair value of investments not quoted in an active market or investments in private companies

Where the fair values of investments cannot be derived from active markets, the Corporation uses valuation models to determine fair value. Where possible, the Corporation uses inputs derived from observable market data for the models. Where observable market data is not available, the Corporation uses judgment to establish fair value (see note 4).

#### ii) Deferred tax assets

Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Corporation will generate sufficient taxable income in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted.

#### iii) Warrants and convertible debentures

The fair value of warrants and convertible debentures held by the Corporation are derived from estimates based on available market data at that time, which include volatility, interest-free rates and share prices. Changes to subjective input assumptions can materially affect the fair value estimate.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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### 3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

#### a) Financial instruments

On initial recognition, a financial asset is classified as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. Purchases and sales of financial assets are recorded on a settlement date basis.

The Corporation would only reclassify a financial asset when the Corporation changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

#### i) Financial assets classified at fair value through profit or loss

Financial assets are classified as FVTPL if the asset is an equity investment, if the Corporation has not elected to classify the equity investment as FVOCI, or if the Corporation's business model for holding the investment is achieved other than by both collecting contractual cash flows and by selling the assets.

FVTPL assets are initially recorded at fair value with realized gains or losses on disposition and subsequent changes in fair value recorded in net income. Directly attributable transaction costs are expensed as incurred.

#### ii) Amortized cost

Non-derivative financial liabilities are recognized initially on the date the Corporation becomes a party to the contractual obligations of the financial instrument. All non-derivative financial liabilities are recognized initially at fair value less directly attributable transaction costs. Subsequent to initial measurement, non-derivative financial liabilities are measured at amortized cost using the effective interest rate method.

Convertible debenture investments are hybrid instruments which were elected to be classified as financial assets at fair value through profit or loss. Upon initial recognition, the investment is recognized at fair value with directly attributable transaction costs expensed as incurred. If the transaction price does not equal fair value, management measures the fair value of each component of the investment and any unrealized gains or losses at inception is either recognized in profit or loss or deferred and recognized over the term of the financial instrument, depending on whether the valuation inputs are based on observable market data. Subsequent changes in fair value are recognized in profit or loss.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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### 3. Significant accounting policies (continued)

The following table presents the Corporation's classification of financial assets and financial liabilities as at December 31, 2018:

| <b>Financial assets/ financial liability</b> | <b>Classification</b> |
|--|-----------------------|
| Cash   | FVTPL                 |
| Investments                                  | FVTPL                 |
| Convertible debentures                       | FVTPL                 |
| Accounts payable and accrued liabilities     | Amortized cost        |
| Related party loan                           | Amortized cost        |

#### b) Cash

Cash is comprised of deposits in banks and are not subject to a significant risk of changes in value.

#### c) Current tax

Current taxes are recognized for estimated income taxes payable or recoverable for the current period and any adjustments to taxes payable in respect to prior periods. Current taxes payable or recoverable are offset when they relate to income taxes imposed by the same taxation authority when the taxation authority permits receiving of making a single net payment.

#### d) Deferred tax

Deferred tax is recognized for temporary differences at the reporting date between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are measured using currently enacted or substantively enacted income tax rates expected to apply to taxable income in the periods in which the temporary differences reverse. Measurement of deferred tax reflects the tax consequences that would follow the manner in which the Corporation expects at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it's probable the Corporation will have sufficient taxable income in which to offset. The Corporation reviews deferred tax assets each reporting period and would be reduced to the extent that it's no longer probable that the benefit arising from the unused tax loss, tax credit, or deductible temporary difference will be realized.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 3. Significant accounting policies (continued)

### e) Share and warrant capital

Common shares and warrants are classified as equity in the financial statements. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity.

The Corporation has issued warrants to purchase common shares at a specified price in conjunction with the issue of common shares of the Corporation and as compensation to third parties for services provided. These warrants are accounted for in accordance with the fair value method of accounting, based upon an estimate of the fair value using a Black-Scholes pricing model.

### f) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is applied to all fair value measurements including non-financial assets and liabilities, which are measured at or based on fair value. The Corporation's fair value hierarchy is disclosed in note 4.

### g) Accounting standards and amendments issued but not yet applied IFRS 16 Leases ("IFRS 16")

This standard specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Corporation is currently assessing any effect on its financial statements from the adoption of this standard. The Corporation is currently assessing the impact of IFRS 16 will have on its financial statements.

### h) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions.

## 4. Fair value measurement

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in determining fair value of financial assets and liabilities. The hierarchy of inputs is summarized as follows:

Level 1 - inputs used to value financial assets and liabilities are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs used to value financial assets and liabilities are other than quoted prices included in Level 1 that are observable either directly or indirectly for the asset or liability.

Level 3 - inputs used to value financial assets and liabilities are not based on observable market data.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

## 4. Fair value measurement (continued)

Investments and convertible debentures consist of the following at December 31, 2018:

### Financial assets measured at fair value

| <b>Cost</b>                                 | <b>Amount</b>       |
|---|---------------------|
| Balance – January 31, 2018                  | \$ -                |
| Investment purchases                        | 1,480,227           |
| Investment disposals                        | (55,845)            |
| Convertible debenture purchases             | 250,000             |
| Balance – December 31, 2018                 | \$ 1,674,382        |
| <b>Unrealized gain</b>                      |                     |
| Balance – January 31, 2018                  | \$ -                |
| Investment unrealized gain                  | 597,587             |
| Investment unrealized loss                  | (2,673)             |
| Investment unrealized foreign exchange gain | 8,239               |
| Convertible debenture unrealized gain       | (13,584)            |
| Balance – December 31, 2018                 | \$ 589,569          |
| <b>Fair value</b>                           | <b>\$ 2,263,951</b> |

On June 21, 2018, the Corporation disposed of 15,300 shares for \$7.05 per share, which were originally purchased for \$3.65, resulting in a realized gain of \$51,030 after commissions of \$990.

On December 10, 2018, the Corporation invested \$250,000 in an unsecured convertible debenture bearing an interest rate of 8.5% per annum and maturing on December 12, 2020. The debentures are convertible into common shares at \$0.75 per share at the option of the Company at any time after June 10, 2019. At December 31, 2018, the convertible debenture had a fair value of \$236,416. An unrealized loss of \$13,584 was recognized at December 31, 2018. The fair value of the convertible debenture was estimated using the Black-Scholes model based on the following assumptions: share price of \$0.35; risk-free rate of 2.01%; dividend yield of 0%; stock price volatility of 84.96% and an expected life of 2 years.

| <b>Financial assets measured at fair value per hierarchy</b> | <b>Cost</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total Fair Value</b> |
|--|--------------|----------------|----------------|----------------|-------------------------|
| Common shares - public                                       | \$ 266,722   | 291,102        | -              | -              | \$ 291,102              |
| Common shares - private                                      | 1,132,660    | -              | -              | 1,711,433      | 1,711,433               |
| Units – private  | 25,000       | -              | -              | 25,000         | 25,000                  |
| Convertible debentures - public                              | 250,000      | -              | -              | 236,416        | 236,416                 |
|  | \$ 1,674,382 | 291,102        | -              | 1,972,849      | \$ 2,263,951            |

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 4. Fair value measurement (continued)

The Corporation did not transfer any financial instruments between Level 1, 2 or 3 during the period ended December 31, 2018.

### *Level 3*

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the period ended December 31, 2018.

|                                  | <b>Convertible<br/>Debenture - Public</b> | <b>Common Shares<br/>- Private</b> | <b>Units -<br/>Private</b> | <b>Total</b> |
|----------------------------------|---|------------------------------------|----------------------------|--------------|
| Purchases                        | \$ 250,000                                | 1,133,794                          | 25,000                     | \$ 1,408,794 |
| Unrealized gain                  | -   | 569,400                            | -                          | 569,400      |
| Unrealized loss                  | (13,584)                                  | -                                  | -                          | (13,584)     |
| Unrealized foreign exchange gain | -   | 8,239                              | -                          | 8,239        |
| Total Fair Value                 | \$ 236,416                                | 1,711,433                          | 25,000                     | \$ 1,972,849 |

During the period ended December 31, 2018, \$595,429 of net change in unrealized appreciation on investments and net change in unrealized foreign exchange gain on investments includes Level 3 investments held as at December 31, 2018.

### *Significant unobservable inputs*

The key assumptions the Corporation used in the valuation of level 3 investments included and are not limited to the value of recently completed financing by investees, entity-specific information, and publicly available information of comparable entities.

The following table summarizes valuation techniques and significant unobservable inputs used for the Corporation's investment classified in Level 3 of the fair value hierarchy as at December 31, 2018.

|                         | <b>Fair value at<br/>December 31, 2018</b> | <b>Valuation<br/>technique</b> | <b>Unobservable<br/>Inputs</b> |
|-------------------------|--|--------------------------------|--------------------------------|
| Common shares - private | \$ 1,711,433                               | Recent financing               | Transaction price              |
| Units - private         | 25,000                                     | Recent financing               | Transaction price              |
| Convertible debenture   | 236,416                                    | Black-Scholes                  | Volatility                     |
| Total Fair Value        | \$ 1,972,849                               |                                |                                |

For these Level 3 investments, the inputs used can be highly judgmental. A 25% increase or decrease in the assumptions will result in a corresponding \$427,858, \$6,250 and \$59,104 change in the total fair value of Level 3 investments for common shares, unites and convertible debentures respectively.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions. The overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 5. Share capital

a) Authorized:

Unlimited common shares

b) Common Shares issued and outstanding

|                                    | Number     | Amount       |
|------------------------------------|------------|--------------|
| <b>Balance – January 31, 2018</b>  | -          | \$ -         |
| Shares issued                      | 12,794,000 | 2,940,825    |
| Share issuance costs               | -          | (202,555)    |
| <b>Balance – December 31, 2018</b> | 12,794,000 | \$ 2,738,270 |

During the period from the date of incorporation on January 31, 2018 to December 31, 2018 the Corporation issued the following common shares:

- 7,680,400 common shares at a price of \$0.25 per common share for gross proceeds of \$1,920,100.
- 145,600 common shares which were issued for settlement of services performed at a deemed price of \$0.25 per common share. The transaction was recorded at the fair value of the services received and \$11,400 has been recorded as share issuance costs and \$25,000 has been recorded as marketing expense.
- 1,350,000 common shares at a price of \$0.50 per common share for gross proceeds of \$675,000.
- 600,000 common shares which were issued as compensation to a director of the Corporation at a deemed price of \$0.50 per common share resulting in \$300,000 being recorded as a share-based payment expense.
- 18,000 common shares were issued for settlement of marketing services at a deemed price of \$0.50 per common share for a total of \$9,000 recorded to share capital. The transaction was recorded at the fair value of the services provided.

## 6. Warrants

As at December 31, 2018, 150,600 warrants were issued to Bellotti Capital Partners Inc. as a finder's fee in relation to common shares issued during the year.

|                                    | Number  | Amount    |
|------------------------------------|---------|-----------|
| <b>Balance – January 31, 2018</b>  | -       | \$ -      |
| Issuance of warrants               | 150,600 | 20,583    |
| <b>Balance – December 31, 2018</b> | 150,600 | \$ 20,583 |

For the period from the date of incorporation on January 31, 2018 to December 31, 2018, the Corporation issued 150,600 warrants to Bellotti Capital Partners Inc. Each warrant is exercisable into one common share at an exercise price of \$0.25 and expire 18 months for the date of issuance.

On the initial recognition, management used Black-Scholes to determine the fair value. Management calculated the fair value using a risk-free rate of 2.12% and volatility of 120.49%.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 7. Related party transactions

During the period ended December 31, 2018, the Corporation reported the following related party transactions:

a) Management fees

The Corporation is required to pay the Manager an annual management fee (the “Management Fee”) of 2% of the equity raised. The Manager will pay the Investment Manager and the officers and directors of the Corporation provided by the Manager (other than the independent directors) out of the Management Fee. As at December 31, 2018, the Corporation incurred a management fee expense of \$35,839 with \$13,486 remaining in accounts payable and accrued liabilities at year-end.

b) Finder’s fee

The Corporation is required to pay the Manager for finder’s fees, commissions and referral fees (the “Finder’s Fee”) at 7% of the gross subscription amount. As at December 31, 2018, share issuance costs included \$95,222 of finder’s fee which was paid to the Manager during the period.

c) Operating expenses

The Corporation will reimburse the Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Manager in connection with the performance of the services described in the Management Agreement, as well as certain specified expenses ancillary to the operations of the Manager, including travel on behalf of the Corporation and office space and services. During the period ended December 31, 2018, the Corporation reimbursed the Manager operating expenses of \$nil.

d) Compensation of key management and personnel was \$300,000 in share-based payments during the period ended December 31, 2018 (see note 5).

e) During the period, the Corporation advanced \$100,000 to company related by virtue of common directors. The loan bears interest at 12% per annum and has a maturity date of July 15, 2019. Subsequent to December 31, 2018, the investment maturity date was extended to August 15, 2019. The investment incurred \$2,000 of interest revenue at December 31, 2018.

During the period ended December 31, 2018, all related party transactions were in the normal course of operations and all services provided by related parties were made on terms equivalent to those which prevail with arm’s length transactions. The Manager and the Corporation are related due to key management holding a position of influence with the Manager.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 8. Taxes

The provision for income taxes differs from the result that would have been obtained by applying the consolidated federal and provincial tax rates to the income before taxes. The difference results from the following items:

|                                     | <b>2018</b> |
|-------------------------------------|-------------|
| Income before taxes                 | \$ 152,250  |
| Statutory income tax rate (%)       | 50.7%       |
| Expected taxes at statutory rate    | 77,191      |
| Changes in taxes resulting from:    |             |
| Non-taxable portion of capital gain | (162,392)   |
| Share issuance costs                | (102,695)   |
| Non-deductible items and other      | 152,100     |
| Deferred tax assets not recognized  | 35,797      |
| Total income tax expense            | \$ -        |

The following table provides detail of the deferred tax assets and liabilities recognized:

| <b>Deferred tax assets (liabilities)</b>        | <b>2018</b>  |
|---|--------------|
| Investments at fair value                       | \$ (149,456) |
| Share issuance costs                            | 83,901       |
| Non-capital losses available for future periods | 65,555       |
| Deferred tax asset (liability)                  | \$ -         |

The following table provides details of the unrecognized deductible temporary differences and unused losses which no deferred tax asset has been recognized:

| <b>Unrecognized deductible temporary differences</b> | <b>2018</b> |
|--|-------------|
| Non-capital loss carryforwards                       | 70,605      |
| Unrecognized deductible temporary differences        | \$ 70,605   |

The Corporation has non-capital losses of \$199,905 which are available for deduction against future taxable income and will expire in 2038.

## 9. Financial risk management

The primary business activities of the Corporation result in financial statements that are primarily comprised by financial instruments. As such, the Corporation is exposed to certain risk related to financial instruments:

### a) Liquidity risk

Liquidity risk refers to the risk that the Corporation will have insufficient cash resources to meet its financial obligations when they become due. The Corporation manages liquidity risk by reviewing resources to ensure that it will have sufficient liquidity to meet liabilities as they become due and to support business strategies.

The Corporation generates cash flow from the disposal of investments, financing activities, and dividend and interest income. The Corporation primarily invests in equity instruments of publicly traded and private cannabis companies. Disposal of investments in non-publicly traded companies could differ from the carrying value since an active-market does not exist.

# CannaIncome Fund Corporation

Notes to the financial statements

For the period from the date of incorporation on January 31, 2018 to December 31, 2018

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## 9. Financial risk management (continued)

As at December 31, 2018, the Corporation's contractual cash flows, which were payable under financial liabilities in these financial statements consisted of accounts payable and accrued liabilities, with payments due in less than one year. All of the Corporation's financial assets as reported on the December 31, 2018 statement of financial position are considered liquid and convertible into cash in less than one year.

### b) Credit Risk

Credit risk is the risk of financial loss if the counterparty to a financial transaction fails to meet its obligations. The maximum amount of the Company's risk exposure is the balance of the Company's cash, and related party loan. The Company attempts to reduce such exposure to its cash by investing only in banks with a good reputation.

### c) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Corporation is exposed is equity price risk and interest rate risk.

#### i) Equity price risk

The Corporation is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market or the cannabis sub-market. The Corporation's investments are subject to fluctuations in fair value arising from changes in the equity market. As at December 31, 2018, should the equity prices of the Corporation's investments increase or decrease by 5%, the impact on income would be approximately \$100,211.

#### ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents and fixed income securities held.

Fair value of the Corporation's cash and investments affected by changes of interest rates is minimal.

### d) Currency risk

Currency risk is the risk that the fair value of future cash flows from the Corporation's operations will fluctuate due to changes in foreign exchange rates. The Corporation holds investments denominated in United States dollars, ("US dollar"). Changes in the US dollar foreign exchange rate versus the Corporation's functional and presentation currency may have adverse effect on the Corporation's investments. As at December 31, 2018, the Corporation had \$278,890 of investments denominated in US dollars. As at December 31, 2018, should the US dollar foreign exchange rate increase or decrease by 1%, the impact on income would be approximately \$2,789.

## 9. Financial risk management (continued)

### e) Concentration risk

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the Corporation's operating results. As at December 31, 2018, the Corporation invested entirely in equities, convertible debentures and warrants of public and non-publicly listed companies in the Canadian and US cannabis industry. The allocation of investments between public and non-publicly listed companies follows:

|                               | Cost         | Percentage | Fair value   | Percentage |
|-------------------------------|--------------|------------|--------------|------------|
| Publicly listed companies     | \$ 515,588   | 31%        | \$ 527,518   | 24%        |
| Non-publicly listed companies | 1,158,794    | 69%        | \$ 1,736,433 | 76%        |
|                               | \$ 1,674,382 |            | \$ 2,295,325 |            |

## 10. Subsequent events

Subsequent to December 31, 2018, a quarterly redemption feature was offered to shareholders, 1,785,000 common shares were redeemed at \$0.50 per share for \$470,000 cash and \$422,500 in promissory notes.

Subsequent to December 31, 2018, a quarterly dividend was also announced in the first quarter of 2019 of \$0.0075 per common share. A cash dividend of \$84,716 was paid in the first quarter of 2019 and \$103,856 in the second quarter of 2019.

Subsequent to December 31, 2018, the Corporation issued 3,812,000 common shares and incurred finder's fees of \$133,525.

**CANNAINCOME FUND CORP.**  
**Interim Financial Statements**  
**For the Nine Month Period Ended September 30, 2019**  
*(Unaudited - See Notice To Reader)*

**CANNAINCOME FUND CORP.**  
**Index to Interim Financial Statements**  
**Nine Month Period Ended September 30, 2019**  
*(Unaudited - See Notice To Reader)*

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| INTERIM FINANCIAL STATEMENTS          |      |
| Interim Balance Sheet                 | 2    |
| Interim Statement of Loss and Deficit | 3    |



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### NOTICE TO READER

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On the basis of information provided by management, we have compiled the interim balance sheet of CannalIncome Fund Corporation as at September 30, 2019 and the interim statements of loss and deficit for the three and nine month periods then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these interim statements may not be appropriate for their purposes.

DocuSigned by:  
*Weller & Zimaro Chartered Accountants*  
1C7C97F07349411...

Calgary, Alberta  
October 9, 2019

CHARTERED ACCOUNTANTS



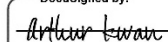
408 22<sup>nd</sup> Ave NE | Calgary, AB | T2E 1T7 | Ph. 403-769-1958 | Fax 403-769-1978 | wzaccountants.ca

<sup>3</sup>Denotes Professional Corporation

**CANNAINCOME FUND CORP.****Interim Balance Sheet****September 30, 2019***(Unaudited - See Notice To Reader)*

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                 |                     |                     |
| <b>CURRENT</b>                                |                     |                     |
| Cash  | \$ 43,438           | \$ 606,172          |
| Current portion of loans and notes receivable | 230,000             | -                   |
| Legal retainer                                | 15,000              | -                   |
|   | <u>288,438</u>      | <u>606,172</u>      |
| LONG TERM INVESTMENTS                         | 3,842,505           | 2,263,953           |
| RELATED PARTY LOAN RECEIVABLE                 | <u>102,000</u>      | <u>102,000</u>      |
|   | <u>\$ 4,232,943</u> | <u>\$ 2,972,125</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                     |                     |
| <b>CURRENT</b>                                |                     |                     |
| Accounts payable                              | \$ 72,454           | \$ 22,196           |
| Due to management company                     | 56,505              | 38,826              |
| Due to shareholder                            | 4,961               | -                   |
| Redemption promissory note payable            | <u>25,000</u>       | <u>-</u>            |
|   | <u>158,920</u>      | <u>61,022</u>       |
| <b>SHAREHOLDERS' EQUITY</b>                   |                     |                     |
| Share capital                                 | 4,809,790           | 2,738,270           |
| Warrants                                      | 20,583              | 20,583              |
| Retained earnings (deficit)                   | <u>(756,350)</u>    | <u>152,250</u>      |
|   | <u>4,074,023</u>    | <u>2,911,103</u>    |
|   | <u>\$ 4,232,943</u> | <u>\$ 2,972,125</u> |

**ON BEHALF OF THE BOARD**

DocuSigned by:  
  
 C141C70E48DA405... Director

**CANNAINCOME FUND CORP.**  
**Interim Statement of Loss and Deficit**  
**For the Three and Nine Month Periods Ended September 30, 2019**  
*(Unaudited - See Notice To Reader)*

|  | Three months<br>ended<br>September 30<br>2019 | Three months<br>ended<br>September 30<br>2018 | Nine months<br>ended<br>September 30<br>2019 | Nine months<br>ended<br>September 30<br>2018 |
|--|---|---|--|--|
| <b>INCOME</b>                              |   |   |  |  |
| Interest income                            | \$ 5,398                                      | \$ 73   | \$ 17,051                                    | \$ 73  |
| Realized gain on investments               | 109,618                                       | 51,030  | 117,085                                      | 51,030                                       |
| Foreign exchange loss                      | (2,249)                                       | -   | (7,953)                                      | -  |
| Unrealized gain (loss) on<br>investments   | (100,120)                                     | 235,581                                       | (130,684)                                    | 235,581                                      |
|  | <b>12,647</b>                                 | <b>286,684</b>                                | <b>(4,501)</b>                               | <b>286,684</b>                               |
| <b>EXPENSES</b>                            |   |   |  |  |
| Professional fees                          | 42,425  | 8,000   | 263,360                                      | 8,000  |
| Consulting fees                            | 64,214  | -   | 152,414                                      | -  |
| Management fees                            | 47,615  | 19,746  | 86,150                                       | 19,746                                       |
| Marketing expense                          | 247   | 325,000                                       | 32,515                                       | 325,000                                      |
| Sedar and filing fees                      | 11,575  | -   | 29,575                                       | -  |
| Software expense                           | 7,350   | -   | 7,350  | -  |
| General and administrative                 | 1,335   | 593   | 6,235  | 593  |
| Donations                                  | 5,000   | -   | 5,000  | -  |
| Conference expense                         | -   | -   | 2,573  | -  |
| Interest and bank charges                  | 300   | -   | 300  | -  |
|  | <b>180,061</b>                                | <b>353,339</b>                                | <b>585,472</b>                               | <b>353,339</b>                               |
| <b>NET LOSS</b>                            | <b>(167,414)</b>                              | <b>(66,655)</b>                               | <b>(589,973)</b>                             | <b>(66,655)</b>                              |
| RETAINED EARNINGS -<br>BEGINNING OF PERIOD | -   | -   | 152,250                                      | -  |
|  | <b>(167,414)</b>                              | <b>(66,655)</b>                               | <b>(437,723)</b>                             | <b>(66,655)</b>                              |
| DIVIDENDS DECLARED                         | <b>(129,304)</b>                              | -   | <b>(318,627)</b>                             | -  |
| <b>DEFICIT - END OF PERIOD</b>             | <b>\$ (296,718)</b>                           | <b>\$ (66,655)</b>                            | <b>\$ (756,350)</b>                          | <b>\$ (66,655)</b>                           |

**ITEM 13 - DATE AND CERTIFICATE**

Dated: March 2, 2020

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

**CANNAINCOME FUND CORP.**

(signed) "Arthur H. Kwan"

ARTHUR H. KWAN  
President & Chief Executive  
Officer

(signed) "Terry Zimaro"

TERRY ZIMARO  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF CANNAINCOME FUND CORP.**

(signed) "Arthur H. Kwan"

ARTHUR H. KWAN  
Director

(signed) "Jeremy Ross"

JEREMY ROSS  
Director

(signed) "Raj Grover"

RAJ GROVER  
Director

**ON BEHALF OF THE PROMOTER**

(signed) "Arthur H. Kwan"

ARTHUR H. KWAN  
Director

## SCHEDULE “A”

### **DESCRIPTION OF SELECT INFORMATION ABOUT CANNAINCOME FUND CORP.’S CANNABIS INVESTMENT PORTFOLIO**

For purposes of the information below, the Corporation’s investments are in the cannabis sector and the following cannabis sub-sectors:

- a) “**Ancillary**” means sub-sectors that provide necessary support to the Cannabis Sector;
- b) “**Cultivation**” means the sub-sector within the cannabis industry involved in the growing of cannabis. Larger companies continue to expand operations and build state-of-the-art growing facilities to lower per-unit costs of wholesale cannabis flower. Smaller companies are turning to outdoor grow operations to lower costs as well as premium branding to increase margins;
- c) “**Distribution**” means the sub-sector within the cannabis industry involved in manufacturing and distribution of consumable cannabis products including cannabis flower, edibles, vape cartridges, tinctures, topicals, and other products;
- d) “**Extraction**” means the sub-sector within the cannabis industry involved in creating concentrate products directly for consumers or use concentrate for other product types like edibles, vape cartridges, tinctures, and topicals involving cannabis. Advances in new product development is expected to enhance product adoption among consumers;
- e) “**Vertically Integrated**” means a combination of two or more of the above sub-sectors.

Issuers are described as either a “reporting issuer” or a non-reporting issuer. A “**reporting issuer**” (*e.g.*, a public company) includes an issuer that has issued securities in respect of which a prospectus was filed and a receipt was issued by a securities commission or similar regulatory authority and whose securities may or may not trade on a stock exchange. For purposes hereof, a reporting issuer will be referred to as a “**Public Entity**”. A “**non-reporting issuer**” is an issuer that is not a reporting issuer (*e.g.*, a private company). For purposes hereof, a non-reporting issuer will be referred to as a “**Private Entity**”.

Reference to a: (a) “**Canadian Entity**” means an entity that was established under the laws of Canada or a province of Canada; and (b) a “**US Entity**” means an entity that was established under the laws of the United States of America, and its territories and possessions.

All Cannabis Investments by the Corporation set out below are in Canadian dollars (\$) unless otherwise stated.

Certain Public Entities will have their securities listed and trading on a stock exchange. For purposes hereof, the capitalized terms below will refer to the stock exchanges referenced below:

- a) “**CSE**” means the Canadian Stock Exchange;
- b) “**TSX**” means the Toronto Stock Exchange;
- c) “**TSXV**” means the TSX Venture Exchange;
- d) “**OTCQX**” means the Over the Counter International Market Exchange; and
- e) “**FRA**” means the Frankfurt Stock Exchange.

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**Issuer #1**

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Evergreen Pacific Insurance Corp is a Canadian Entity.

**Investment Details**

Evergreen Pacific Insurance Corp. is a diversified healthcare and financial services company. It owns, operates, and invests in businesses involved with designing, developing and distributing health and wellness products and services, as well as highly innovative extended healthcare coverages. It is dedicated to making healthcare treatment affordable and accessible for individuals and groups. Founded in 2017, the group of companies are headquartered in Toronto, Canada.

|                           |                              |
|---------------------------|------------------------------|
| <b>Type of Issuer</b>     | Private Issuer               |
| <b>Listed Securities:</b> | N/A                          |
| <b>Stock Exchange:</b>    | N/A                          |
| <b>Location:</b>          | Canada                       |
| <b>Sub-Sector:</b>        | Healthcare                   |
| <b>Investment Date:</b>   | May 2019                     |
| <b>Investment Amount:</b> | \$504,000                    |
| <b>Weighting (Cost):</b>  | 13.2 % (as of Jan. 17, 2020) |
| <b>Security Acquired:</b> | Common Shares                |

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**Issuer #2**

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American CBD Extraction Corp. is an American Entity.

**Investment Details**

American CBD Extraction Corp. is positioned to become a predominant supplier of hemp derived extracts. It is a company founded on dedication, strong work ethic, and quality. Located in the eastern part of Kentucky, a place that's been called "The Hemp Capital of the United States". Its top priority is to provide consistent, high grade and clean hemp derived CBD oil to the growing demand in this evolving marketplace.

|                           |                             |
|---------------------------|-----------------------------|
| <b>Type of Issuer</b>     | Private Entity              |
| <b>Location:</b>          | United States               |
| <b>Sub-Sector</b>         | Extracts                    |
| <b>Investment Date:</b>   | May 2019                    |
| <b>Investment Amount</b>  | \$500,000                   |
| <b>Weighting (Cost):</b>  | 13.1% (as of Jan. 17, 2020) |
| <b>Security Acquired:</b> | Common Shares & Warrants    |

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**Issuer #3**

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Kronic Relief Inc. is a Canadian Entity with assets in Jamaica.

**Investment Details**

Kronic Relief is building a 11,000 square feet indoor facility to serve as its initial production operation, with additional production facilities planned. Kronic's key value driver is its Jamaican asset, that includes a genetics library. Its products command a premium as the team has been cultivating together for about ten years.

|                             |                             |
|-----------------------------|-----------------------------|
| <b>Type of Issuer:</b>      | Private Entity              |
| <b>Location:</b>            | Global                      |
| <b>Sub-Sector:</b>          | Cultivation                 |
| <b>Investment Date:</b>     | September, 2019             |
| <b>Investment Amount:</b>   | \$500,000                   |
| <b>Weighting (Cost):</b>    | 13.1% (as of Jan. 17, 2020) |
| <b>Securities Acquired:</b> | Common Shares               |

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**Issuer #4**

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High Tide Inc. is a Canadian Entity.

**Investment Details**

High Tide focuses on the manufacturing and wholesale distribution of smoking accessories and cannabis lifestyle products. High Tide, with its subsidiaries, plans to extend and strengthen its integrated value chain, providing a complete customer experience and maximizing shareholder value.

|                             |  |
|-----------------------------|--|
| <b>Type of Issuer</b>       | Public Entity                            |
| <b>Listed Securities:</b>   | Yes                                      |
| <b>Stock Exchange:</b>      | CSE                                      |
| <b>Location:</b>            | Canada                                   |
| <b>Sub-Sector:</b>          | Distribution                             |
| <b>Investment Date</b>      | May 2018                                 |
| <b>Investment Amount:</b>   | \$498,400                                |
| <b>Weighting (Cost):</b>    | 13.0% (as of Jan. 17, 2020)              |
| <b>Securities Acquired:</b> | Common Shares and Convertible Debentures |

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**Issuer #5**

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4Front Ventures Corp. is a US Entity.

4Front owns and manages licensed cannabis facilities in state-licensed markets in the United States, including cultivation facilities and dispensaries. 4Front focuses on low-cost production and supply chain management to create significant shareholder value.

**Investment Details**

|                             |                            |
|-----------------------------|----------------------------|
| <b>Type of Issuer:</b>      | Public Entity              |
| <b>Listed Securities:</b>   | Yes                        |
| <b>Stock Exchange:</b>      | CSE and OTCQX              |
| <b>Location:</b>            | United States              |
| <b>Sub-Sector:</b>          | Vertically Integrated      |
| <b>Investment Date:</b>     | October, 2018              |
| <b>Investment Amount:</b>   | \$271,500                  |
| <b>Weighting (Cost):</b>    | 7.1% (as of Jan. 17, 2020) |
| <b>Securities Acquired:</b> | Common Shares              |

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**Issuer #6**

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Franchise Cannabis Corp. is a Canadian Entity.

Franchise Cannabis is a global, fully integrated cannabis company with operations in Germany, Denmark, Uruguay, and Columbia. Issuer #6 focuses on developing world class medical cannabis operations with a focus on entering strategic markets as they open up. Genetics is the core of Issuer #6 's business, innovating to address market trends by breeding new cannabis varieties for an assortment of applications including medical, high CBD profiles, and flower yields.

**Investment Details**

|                           |                            |
|---------------------------|----------------------------|
| <b>Type of Issuer:</b>    | Private Entity             |
| <b>Location:</b>          | Global                     |
| <b>Sub-Sector:</b>        | Vertically Integrated      |
| <b>Investment Date:</b>   | September, 2018            |
| <b>Investment Amount</b>  | \$200,000                  |
| <b>Weighting (Cost):</b>  | 5.2% (as of Jan. 17, 2020) |
| <b>Security Acquired:</b> | Common Shares              |

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**Issuer #7**

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Rocky Mountain Marijuana Corp. is a Canadian Entity.

Rocky Mountain blends science with nature using leading aeroponic cultivation systems and oil extraction methods. Using these methods, Issuer R intends to produce consistent, high-purity, organic-quality flower and cannabis oils to maximize production yields. Rocky Mountain plans to become a low-cost producer and reduce risk to its crops and business.

**Investment Details**

|                           |                            |
|---------------------------|----------------------------|
| <b>Type of Issuer:</b>    | Private Entity             |
| <b>Location:</b>          | Canada                     |
| <b>Sub-Sector:</b>        | Vertically Integrated      |
| <b>Investment Date:</b>   | September, 2019            |
| <b>Investment Amount:</b> | \$175,000                  |
| <b>Weighting (Cost):</b>  | 4.6% (as of Jan. 17, 2020) |
| <b>Type of Investment</b> | Loan                       |

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**Issuer #8**

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Axiomm Technologies Ltd. is a Canadian Entity.

Axiomm has acquired a number of companies over the years. Assets owned and under development are focused across the sub-sectors, including cultivation, extraction, and distribution. Issuer #4 is dedicated to developing and producing premium cannabis oils with terpene profiles as well as, then permitted, cutting-edge derivative products.

**Investment Details**

|                             |                            |
|-----------------------------|----------------------------|
| <b>Type of Issuer:</b>      | Private Entity             |
| <b>Location:</b>            | Canada                     |
| <b>Sub-Sector:</b>          | Vertically Integrated      |
| <b>Investment Date</b>      | June 2018                  |
| <b>Investment Amount:</b>   | \$108,000                  |
| <b>Weighting (Cost):</b>    | 2.8% (as of Jan. 17, 2020) |
| <b>Securities Acquired:</b> | Common Shares and Warrants |

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**Issuer #9**

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Full Spectrum Brands Canada Inc. is a Canadian Entity.

Full Spectrum is a healthcare company focused on developing and commercializing cannabis-based health and wellness products. Full Spectrum intends to bring quality products to market that will utilize evidence-based, standardized formulations coupled with innovative platforms that will assist all healthcare professionals to effectively treat their patients.

**Investment Details**

|                             |                            |
|-----------------------------|----------------------------|
| <b>Type of Issuer:</b>      | Private Entity             |
| <b>Location:</b>            | Global                     |
| <b>Sub-Sector:</b>          | Vertically Integrated      |
| <b>Investment Date:</b>     | October, 2018              |
| <b>Investment Amount</b>    | \$100,000                  |
| <b>Weighting (Cost):</b>    | 2.6% (as of Jan. 17, 2020) |
| <b>Securities Acquired:</b> | Common Shares              |

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**Issuer #10**

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Trait Biosciences Inc. is a Canadian Entity.

Trait is company that focuses on research and development that transform science and technologies into ground-breaking advances in cannabinoid cultivation and product development. Issuer #5's mission is to make hemp and cannabis purer and safer products.

**Investment Details**

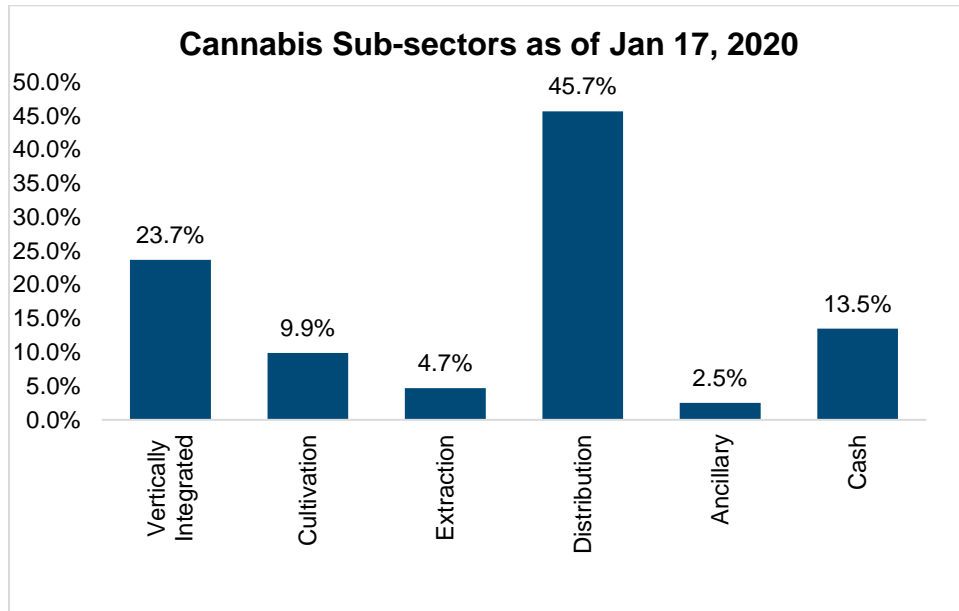
|                           |                                    |
|---------------------------|------------------------------------|
| <b>Type of Issuer:</b>    | Private Entity                     |
| <b>Location:</b>          | United States with global partners |
| <b>Sub-Sector:</b>        | Extraction                         |
| <b>Investment Date:</b>   | September, 2018                    |
| <b>Investment Amount:</b> | \$100,000                          |
| <b>Weighting (Cost):</b>  | 2.6% (as of Jan. 17, 2020)         |
| <b>Security Acquired:</b> | Common Shares                      |

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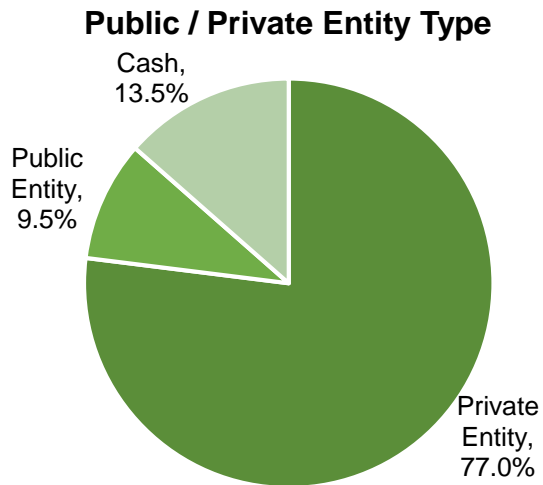
**SUMMARY OF THE CORPORATION'S  
CANNAVIS INVESMENT PORTFOLIO HOLDINGS**

**AS AT JANUARY 2020**

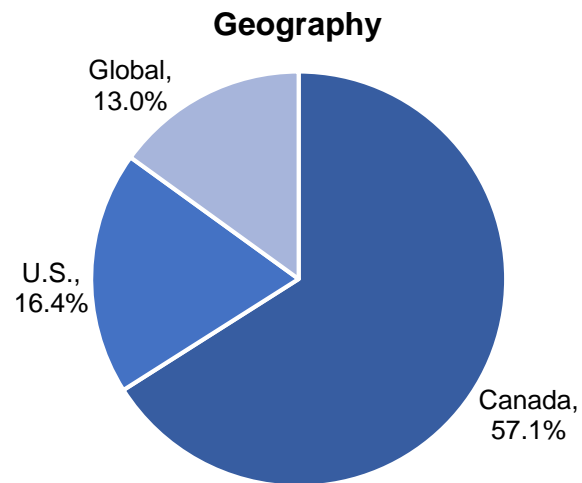
**Below is the CannaIncome portfolio as of January 17, 2020, broken down by sub-sectors.**



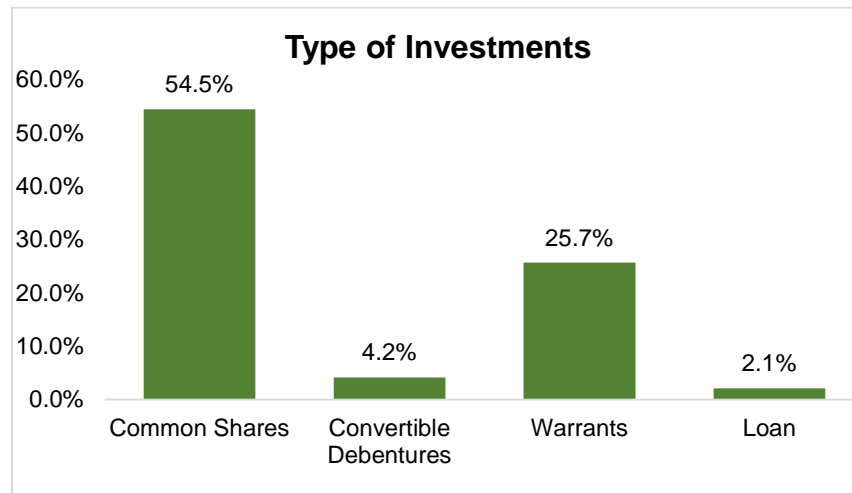
**Below is the CannaIncome portfolio as of January 17, 2020, broken down by Public/Private entity Type.**



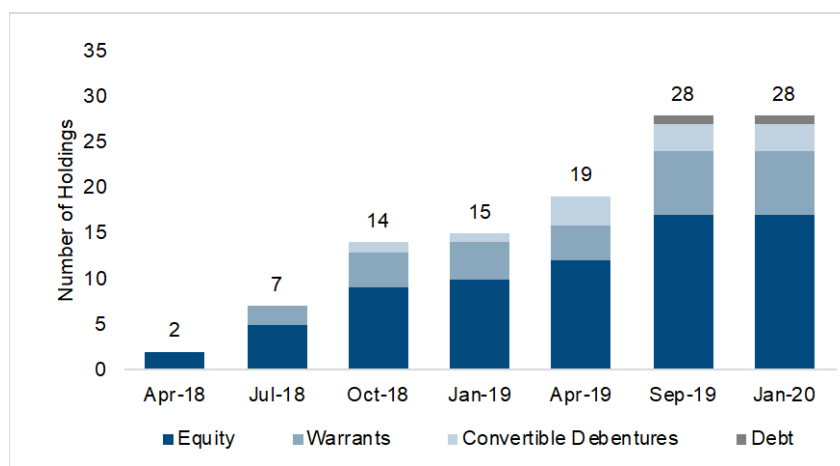
**Below is the CannaIncome portfolio as of January 17, 2020, broken down by Geography**



**Below is the CannaIncome portfolio as of January 17, 2020, broken down by Type of Investments**



**Below is the timeline of CannaIncome portfolio broken down by Investment Type from April 2018 to January 2020**



*Note:* The percentage holdings of: (a) Public Entity referenced above is based on the 10-day volume weighted average price as of January 17, 2020; and (b) Private Entity is based on the issuer's last subscription price paid pursuant to any capital raising or book value.