

OFFERING MEMORANDUM

This offering document (the “Offering Memorandum”) constitutes an offering of the securities described herein only in those jurisdictions where they may be lawfully offered for sale and may be sold only by persons permitted to sell these securities and only to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or an advertisement or a public offering of these securities. No securities commission or similar regulatory authority has reviewed this Offering Memorandum nor has it in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. No prospectus has been filed with any such authority in connection with the securities offered hereunder.



PROOF CAPITAL ALTERNATIVE INCOME FUND

DATE: March 30, 2025

THE ISSUER:

Name: Proof Capital Alternative Income Fund (the “Fund”)
Head Office of Issuer and Promoter: Address: 500, 301 – 8th Avenue SW, Calgary AB, T2P 1C5
Phone No.: (403) 615-7962
Email: info@proofcapital.ca
Website: www.proofcapital.ca

Currently listed or quoted? No – These securities do not trade on any exchange or market.

Reporting Issuer: No

SEDAR Filer: No

THE OFFERING:

Securities Offered: Class A units of the Fund (“Class A Fund Units”) and Class F units of the Fund (“Class F Fund Units” and collectively or individually, as the context requires, the “Fund Units”) shall be offered pursuant to the terms of this Offering Memorandum (the “Offering”). See ITEM 5.1 – *Terms of Securities*.

Price Per Security: Subscriptions for Fund Units shall be offered at a subscription amount equal to the Net Asset Value per Fund Unit (as defined herein) of such Class (as defined herein), calculated as at the Valuation Date (as defined herein). See ITEM 5.1 – *Terms of Securities*. The Net Asset Value of a Class need not be equal to the Net Asset Value of any other Class.

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

Minimum Subscription: There is a minimum CAD\$25,000 subscription amount for investment in Class A Fund Units and Class F Fund Units. The Fund reserves the right to change the minimum subscription amount at any time.

Income Tax Consequences: There are important tax consequences to investing in the Fund Units. See ITEM 7 – *Income Tax Consequences and Registered Plan Eligibility*.

Selling Agent: The Fund may pay a sales fee to registered dealers, or where permitted, non-registrants, in an amount determined by the Manager in its discretion, acting reasonably, payable at the time of the initial investment. See ITEM 8 – *Compensation Paid to Dealers*.

Resale Restrictions: You will be restricted from selling your Fund Units until the day which is four months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada. As the Fund is not currently a reporting issuer in any province or territory of Canada, and does not contemplate becoming a reporting issuer, the statutory hold period could be indefinite. Additionally, you are not permitted to transfer Fund Units to any other person except with the consent of the Manager and in compliance with the Trust Agreement. See ITEM 12 – *Resale Restrictions*. However, you will be able to redeem your Fund Units from the Fund at certain times if you follow the procedures established by the Fund. See ITEM 5.1 – *Terms of Securities*.

Purchaser's Rights: You have two Business Days to cancel your agreement to purchase these Fund Units. If there is a Misrepresentation in this Offering Memorandum, or, if applicable, in any OM Marketing Materials, you have the right to sue either for damages or to cancel the agreement. See ITEM 13 – *Purchaser's Rights*.

No securities regulatory authority or regulator has assessed the merits of the Fund Units or reviewed this Offering Memorandum. Any representation to the contrary is an offence.

Investment in the Fund entails a number of risks. This Offering is not suitable for investors who cannot afford to assume risks in connection with their investments. See ITEM 9 – *Risk Factors*.

FundSERV Codes:

Class A Fund Units: QWE140
Class F Fund Units: QWE145

Additional Subscriptions:

The Manager reserves the right to restrict the amount of additional investments in the Fund.

Selling Jurisdictions:

All provinces and territories in Canada, the United States, and all other foreign jurisdictions.

Eligible Purchasers:

The Fund Units are offered for sale pursuant to exemptions from prospectus requirement contained in NI 45-106.

Fund Manager:

Qwest Investment Fund Management Ltd or its successor (the “**Manager**”).

Promoter:

Proof Capital Inc. (the “**Promoter**” or “**Proof**”).

Payment terms:

Full subscription amount is payable by cheque, bank draft, wire order or other form of payment acceptable to the Fund and subscriptions are subject to acceptance or rejection as determined solely by the Manager.

Subscription Procedure:

The Fund Units are offered on a continuous basis with closings generally occurring on each Business Day of every month, with settlement expected to occur on or about 2 Business Days from the closing date, or such other dates as the Manager may determine. See ITEM 5.2 – *Subscription Procedure*.

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SUMMARY

The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum. Capitalized terms in this Summary have the meanings ascribed to them in the Glossary unless the context otherwise requires. All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian dollars.

Offering:	A continuous offering of Class A Fund Units and Class F Fund Units. There is no minimum or maximum offering amount. See ITEM 5 – <i>Securities Offered</i> . A subscriber whose subscription is accepted will become a Fund Unitholder. No Class P Fund Units or Class R Fund Units are being sold under this offering.
Subscription Amount:	The subscription amount per Fund Unit is equal to the Net Asset Value per Fund Unit at the applicable Valuation Date. See ITEM 5 – <i>Securities Offered</i> .
Minimum Subscription:	There is a minimum CAD\$25,000 subscription amount for investment in Class A Fund Units and Class F Fund Units. The Fund reserves the right to change the minimum subscription amount at any time. See ITEM 5 – <i>Securities Offered</i> .
Investment Objective:	The fundamental investment objective of the Fund is to achieve a stable level of current income while also seeking to preserve capital. The Fund primarily invests in private operating entities wherein generally the intent is for a Fund representative to be actively involved in the management of the issuer or a specific project that the Fund is investing in. Some types of investments include, but are not limited to, loans secured by mortgages on real property and/or securities invested in loans secured by mortgages for construction, interim financing, finished goods inventory financing, receivables financing, and term financings, denominated in U.S. or Canadian Dollars. The Fund may also invest in other products, also denominated in U.S. or Canadian Dollars, where the investment objective is substantially similar to the Fund's objective.
Fund Classes:	Fund Units are issuable in Classes. There are Class A Fund Units, Class F Fund Units, Class R1 Fund Units and Class R2 Fund Units outstanding, all of which are denominated in Canadian dollars. All Classes (other than the Class P, Class R1 and Class R2 Fund Units) have the same objectives, strategies and restrictions, but differ with respect to commissions and fees, as set out in this Offering Memorandum. The book value per Fund Unit will be expressed in Canadian dollars. However, distributions allocable to each Class will differ as a result of the deduction of the amounts payable in respect of Trailer Fees for the Class A Fund Units and the Class R1 Fund Units. The Manager may, at any time and from time to time, authorize the Fund to issue additional Classes without the authorization of Fund Unitholders. The Class A Fund Units and Class F Fund Units will share in the same pool of investments on an equal <i>pro rata</i> basis and the Class R Fund Units will share in the same investment on an equal <i>pro rata</i> basis. Only Class A Fund Units and Class F Fund Units are available for subscription. See ITEM 5.1 – <i>Terms of Securities</i> .

FundSERV Codes:

Purchases of Fund Units may be affected by registered dealers through the settlement network operated by FundSERV using the following codes:

Class A Fund Units: QWE140

Class F Fund Units: QWE145

Distribution Policy:

The Fund expects to declare distributions to each Fund Unitholder of Class A Fund Units and Class F Fund Units on quarterly basis, or such other period as is deemed reasonable in the sole discretion of the Manager. On each Distribution Payment Date, the Manager will distribute an amount it deems appropriate. Such distributions will be paid in arrears following the period to which the distribution relates.

In respect of the Class P Fund Units, the Fund will make a distribution on the Class P Fund Units equal to equal to 1.0% of the Net Asset Value of the Class A Fund Units and the Class F Fund Unit, accrued daily and distributed monthly.

Further, the Fund will make distributions, on the Class P Fund Units equal to 10% of the amount by which the total return of the Fund Units exceeds the High-Water Mark and shall be paid (i) on the Class A Fund Units and Class F Fund Units quarterly in arrears; and (ii) on the Class R1 and Class R2 Fund Units upon a Liquidity Event with respect to Rhodium. See ITEM 6.1 – Distributions.

Subject to a Fund Unitholder's election to receive distributions partially or wholly in Fund Units, distributions by the Fund may be paid in cash or Fund Units at the Manager's discretion. If the Fund has taxable income for which it has not received cash, the Fund may make distributions of such taxable income in Fund Units. Payment of income by the distribution of Fund Units may result in Fund Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

Fund Unitholders who redeem their Fund Units will not participate in any distributions declared after the date of redemption.

The Fund intends to distribute its net income and net realized capital gains, if any, in the year they are earned or realized to ensure that no income tax is payable by the Fund. If distributions to Fund Unitholders are in excess of net income and net realized capital gains, if any, of the Fund, the adjusted cost base of the Fund Units will generally be reduced. See ITEM 6 – *Distributions* and ITEM 7 – *Income Tax Consequences and Registered Plan Eligibility*.

Redemption by Fund Unitholder of Class A and Class F Fund Units:

Each Fund Unitholder of Class A Fund Units and Class F Fund Units may, upon request to the Manager in a manner and form acceptable to the Manager, redeem all or any part of such Fund Unitholder's Fund Units on a Redemption Date. Fund Units will be redeemed at a redemption price equal to the Net Asset Value per Class A or Class F Fund Unit calculated as of the applicable Redemption Date, less applicable deductions and fees.

Redemption requests must be given via FundSERV to the Manager not less than 15 Business Days prior to the Redemption Date in order for the redemption to be effective as of such Redemption Date. The redemption

proceeds, less any applicable deductions and fees, will be paid to the redeeming Fund Unitholder not later than 60 Business Days following the applicable Redemption Date. No interest will be paid to the Fund Unitholder on account of any delay in forwarding the proceeds of redemption to the Fund Unitholder.

Redemptions and the payment of redemption proceeds may be suspended in certain circumstances. See ITEM 5.1 – *Terms of Securities - Suspension of Redemptions*.

Redemption of Class R1 and Class R2 Fund Units

The Net Asset Value of the Class R1 and Class R2 Fund Units is equal to the net value of the equity interests owned by the Fund in Rhodium Enterprises, Inc. (“**Rhodium**”). The Fund will redeem the Class R1 and Class R2 Fund Units at the Net Asset Value of the Class R1 and Class R2 Fund Units, as applicable within ninety (90) Business Days following the later of: (i) a Liquidity Event with respect to Rhodium; or (ii) if applicable, the end of any lock up period that the securities in Rhodium held by the Fund are subject to.

Management Fee:

No management fee is payable to the Manager, however, the Promoter pays the Manager a supervisory fee for its services in managing the Fund.

Closings:

Closings will generally occur on each Business Day of every month, with settlement expected to occur on or about 2 Business Days from the closing date, or such other dates as the Manager may determine.

Sales Commissions and Trailer Fees:

Registered dealers may, at their discretion, charge purchasers a Sales Commission, which is a front-end sales commission of up to 8% of the subscription amount of the Fund Units being purchased. Any Sales Commission will be negotiated between the registered dealer and the purchaser and will be deducted from the subscription amount of the Gross Subscription Order and paid by the purchaser, directly to the registered dealer.

In addition, in certain circumstances, registered dealers may be reimbursed for their due diligence costs, and other forms of consideration, and charge purchasers the Dealer Fee, which is an amount equal to up to 1% of the subscription amount of the Fund Units being purchased. The Dealer Fee will be deducted from the subscription amount of the Gross Subscription Order and paid by the purchaser directly to the registered dealer.

The Fund will pay the Trailer Fee on Class A Fund Units and Class R1 Fund Units, which is an annual servicing fee equal to 1% per annum of the Net Asset Value of the Fund Units sold by a registered dealer in respect of the Fund Units, payable monthly in arrears. The amount of the Trailer Fee will be deducted from distributions to the holders of Fund Units. See ITEM 8 – *Compensation Paid to Dealers*.

Use of Proceeds:

The Fund intends to invest all or substantially all of the net proceeds of the Offering according to the Fund's investment objectives and the investment strategy. See ITEM 1.1 – *Funds*.

Distribution on Termination:

In the event of the termination of the Fund, the Fund would distribute to the Fund Unitholders, *pro rata*, their interest in the net assets of the Fund available for such distribution, subject to the rights of the Manager to determine and retain monies for termination costs and expenses.

Taxation of the Fund and Fund Unitholders:	See ITEM 7 – <i>Income Tax Consequences and Registered Plan Eligibility</i> .
Investment by Deferred Plans:	Provided the Fund qualifies as a “mutual fund trust” as defined in the Tax Act at all relevant times, the Fund Units will be qualified investments for Deferred Plans. See ITEM 7 – <i>Income Tax Consequences and Registered Plan Eligibility</i> .
No Transferability:	No Fund Unitholder is permitted to transfer Fund Units to any other person except with the consent of the Manager and in compliance with the Trust Agreement and applicable securities laws. See ITEM 12 – <i>Resale Restrictions</i> .
Risk Factors:	You should consult with your advisors and carefully consider your financial objectives when considering an investment in the Fund. Investment in the Fund Units involves risk. An investment in Fund Units is appropriate only for investors who have the ability to absorb a loss of some or all of their investment. See ITEM 9 – <i>Risk Factors</i>.
Certificates:	Certificates for Fund Units will not be issued to Fund Unitholders.
Custodian and Trustee:	RBC Investor Services Trust.

GLOSSARY

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

“Business Day” means a week day that is not a holiday in the Province of Ontario.

“Class” means a class of Fund Units.

“Class A Fund Units” means Class A Units of the Fund as described in ITEM 2.1 – *Structure*.

“Class F Fund Units” means Class F Units of the Fund as described in ITEM 2.1 – *Structure*.

“Class R Fund Units” means Class R Units of the Fund as described in ITEM 2.1 – *Structure*.

“Class P Fund Units” means Class P Units of the Fund as described in ITEM 2.1 – *Structure*.

“Class P Valuation Date” means the last Business Day of each calendar quarter.

“CRA” means the Canada Revenue Agency.

“CRS” means the Common Reporting Standard.

“Custodian” means RBC Investor Services Trust.

“Dealer Fee” means the up to 1% fee paid to registered dealers as described in ITEM 8 – *Compensation Paid to Dealers*.

“Deferred Plan” means an RDSP, RESP, RRIF, RRSP, TFSA, and a trust governed by a deferred profit-sharing plan as defined in the Tax Act.

“Direct Listing” means Rhodium’s initial listing of its Common Stock on a securities exchange. For the avoidance of doubt, a Direct Listing shall not be deemed to be an underwritten offering and shall not involve any underwriting services.

“Distribution Payment Date” means a date on which the Fund makes a distribution.

“DRIP” means the distribution reinvestment plan of the Fund.

“FATCA” means the United States Foreign Account Tax Compliance Act, as amended.

“Final Year End Distribution” means the final distribution of the Fund’s net income and net realized capital gains for the applicable Class for the year to be made in respect of each December 31 year end. See ITEM 6 – *Distributions*.

“FundSERV” means FundSERV Inc.

“Fund Unitholders” means holders of Class A Fund Units, Class F Fund Units and/or Class R Fund Units, but does not include the holder of Class P Fund Units unless the context otherwise specifically provides.

“Fund Units” means the Class A Fund Units, Class F Fund Units and/or the Class R Fund Units, but does not include the Class P Fund Units unless the context otherwise specifically provides.

“Gross Subscription Order” means a subscription for Class A Fund Units or Class F Fund Units.

“High-Water Mark” means the greater of: (a) the highest Net Asset Value of a Class on any Class P Valuation Date; or

(b) the Net Asset Value of a Class on the date when units of that Class were first issued.

“IGA” means the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into by Canada and the U.S.

“IRS” means the United States Internal Revenue Service.

“Initial Public Offering” means the closing of the Rhodium’s first firm commitment underwritten initial public offering of Common Stock.

“Listing Event” means either (i) an Initial Public Offering, (ii) a SPAC Event, or (iii) a Direct Listing.

“Liquidity Event” means the receipt by the Fund of cash proceeds or securities of a publicly traded entity as a result of: (i) a transaction or series of related transactions in which any person or group becomes the beneficial owner, directly or indirectly, of more than 50% of the outstanding voting securities of the company having the right to vote for the election of the company’s board of directors; (ii) any reorganization, merger or consolidation of the company, other than a transaction or series of related transactions in which the holders of the voting securities of the company outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of related transactions, at least a majority of the total voting power represented by the outstanding voting securities of the company or such other surviving or resulting entity; (iii) a sale, lease or other disposition of all or substantially all of the assets of the company ; or (iv) a Listing Event.

“Manager” or **“Qwest”** means Qwest Investment Fund Management Ltd., the portfolio manager and investment fund manager of the Fund, or its successor.

“Material Fact” means a fact that would reasonably be expected to have significant effect on the value of Fund Units.

“Misrepresentation” means: (a) an untrue statement of a Material Fact; (b) an omission to state a Material Fact that is required to be stated; or (c) an omission to state a Material Fact that is necessary to be stated in order for a statement not to be misleading.

“Net Asset Value” or **“NAV”** means the Net Asset Value of the Fund, the Net Asset Value of a Class, or the Net Asset Value per Fund Unit, as the context requires. See ITEM 5.1 – *Terms of Securities*.

“Net Asset Value of a Class” means the net asset value of the Fund Units of a particular Class calculated in accordance with ITEM 5.1 – *Terms of Securities*.

“Net Asset Value of the Fund” means the net asset value of all of the Fund Units calculated in accordance with ITEM 5.1 – *Terms of Securities*.

“Net Asset Value per Fund Unit” means the net asset value of a particular Fund Unit calculated in accordance with ITEM 5.1 – *Terms of Securities*.

“NI 45-106” means National Instrument 45-106 - *Prospectus Exemptions*.

“Non-Residents” means non-residents of Canada within the meaning of the Tax Act.

“Offering” means the offering of the Class A Fund Units and Class F Fund Units contemplated by this Offering Memorandum.

“Offering Memorandum” means this offering memorandum.

“OM Marketing Materials” means the investor presentation of the Fund for prospective investors regarding the Offering.

“Operating Expenses” means the operating expenses of the Fund, including, without limitation: legal fees related to the preparation of the Fund’s documents, dealer approval expenses, administrative fees and expenses of the Fund, such as the fees of the Trustee; accounting and legal costs; insurance premiums; audit, registrar and transfer agency fees; administrative and valuation services fees; bookkeeping and recordkeeping costs; costs associated with FundSERV; reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; additional fees payable to the Manager for the performance of extraordinary services on behalf of the Fund; fees, costs and expenses relating to the issue, re-designation and redemption of Fund Units; all Fund Unitholder related communication (e.g. print and electronic) and meeting expenses; all costs incurred in the preparation of documents required to comply with applicable securities laws and reasonable extraordinary or non-recurring expenses, including litigation expenses.

“person” includes any individual, corporation, partnership, association, syndicate, organization, trust, trustee, executor, administrator or other legal representative.

“Promoter” or **“Proof”** means Proof Capital Inc. The Promoter has taken the initiative in organizing the Fund and accordingly may be considered to be a “promoter” of the Fund within the meaning of the applicable securities laws.

“RDSP” means a trust governed by a registered disability savings plan, as defined in the Tax Act.

“Redemption Date” means the last Business Day of a calendar month, or such other dates as the Manager may permit.

“RESP” means a trust governed by a registered education savings plan, as defined in the Tax Act.

“Rhodium” means Rhodium Enterprises, Inc.

“RRIF” means a trust governed by a registered retirement income fund, as defined in the Tax Act.

“RRSP” means a trust governed by a registered retirement savings plan, as defined in the Tax Act.

“Sales Commission” means the front-end sales commission of up to 8% of the subscription amount of the Class A Fund Units being purchased as described in ITEM 8 – *Compensation Paid to Dealers*.

“Securities Authorities” means the securities commissions and similar regulatory authorities of each of the provinces and territories of Canada.

“SPAC Event” means the direct or indirect acquisition of Rhodium by a special purpose acquisition company (a “SPAC”) that (i) results in the capital stock of Rhodium being listed on a securities exchange; and (ii) constitutes such SPAC’s “initial business combination” (as such term is used in such SPAC’s constituent documents).

“Subscription Agreement” means the subscription agreement for the Fund Units.

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

“TFSA” means a trust governed by a tax-free savings account, as defined in the Tax Act.

“Trailer Fee” means the 1% service fee paid to registered dealers by the Fund as described in ITEM 8 – *Compensation Paid to Dealers*.

“Trust Agreement” means the Trust Agreement dated January 15, 2020, as amended effective April 30, 2020, between the Promoter and the Trustee, as may be further amended, restated or supplemented from time to time. The Promoter has delegated to the Manager, the Promoter’s day to day management duties of Funds established by the Promoter under the Trust Agreement.

“Trustee” means RBC Investor Services Trust.

“Underlying Funds” means those mutual funds, exchange-traded funds, or other funds in which the Fund may invest some or all of its assets from time to time.

“Valuation Date” means either at the close of business of each Business Day or the last Business Day of each calendar month as determined by the Manager, or such other date as the Trustee may require.

CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in the currency of Canada.

CONFIDENTIALITY

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this Offering. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein. 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.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum and OM Marketing Materials may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the Fund’s future outlook and anticipated events or results and may include statements regarding financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the Fund. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the Fund are forward-looking statements. In some cases, forward-looking information can be identified by terms such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue”, “likely”, “schedule”, or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements include, but are not limited to: the use of the net proceeds of the Offering to be received by the Fund; the Fund’s access to available sources of debt and/or equity financing; future legislative and regulatory developments which may affect the Fund; the expected tax treatment of the Fund; the Fund’s ability to meet its stated business objectives; the expectations for the types of investments to be made, and the anticipated potential return on such investments; the expectations of the Net Asset Value per Fund Unit; and interest rates and the future interest rate environment. The Fund has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian and United States economies will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain materially unchanged, that the Canadian capital markets will provide the Fund with access to equity and/or debt at reasonable rates when required. These statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the Fund’s control, which may cause the Fund’s or the industry’s actual results, performance, achievements, prospects, opportunities or events to differ materially from those anticipated in such forward-looking statements. The Manager believes that the expectations with respect to the Fund reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Offering Memorandum and OM Marketing Materials should not be unduly relied on. These statements speak only as of the date of this Offering Memorandum or as of the date specified in such statements, as the case may be. The Fund does not undertake any obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Information contained in this Offering Memorandum and OM Marketing Materials constituting a financial outlook is presented for information purposes only to indicate management’s expectation with respect to specific projects and readers are cautioned that the information may not be appropriate for other purposes. Investors are urged to read ITEM 9 – *Risk Factors* of this Offering Memorandum for a discussion of other factors that may impact the Fund.

INTERPRETATION

As used in this Offering Memorandum, unless the context otherwise indicates or requires, the term “Fund” is referring to the Fund, as managed by the Manager, and in the context of the Fund’s operations, is referring to the Fund’s operations as carried out by the Manager on behalf of the Fund.

ITEM 1 USE OF AVAILABLE FUNDS

1.1 Funds

The Units are being issued and sold on a continuous basis and there is no minimum or maximum number of Units that may be issued.

There is no sales commission payable by a purchaser to the Fund or the Manager upon the purchase of Fund Units from the Fund; however, purchasers of Units may pay a negotiated sales commission to their investment advisor if purchasing through a registered dealer. See ITEM 8 - *Compensation Paid To Dealers*.

See ITEM 2.3 - *Fees and Expenses*.

1.2 Use of Available Funds

The Fund will use the net proceeds of this Offering to make investments in accordance with its investment objectives and strategies set out in ITEM 2.2 - *The Fund's Business* below.

1.3 Reallocation

The Fund intends to spend the net subscription proceeds received from the issuance of Fund Units in accordance with its investment objectives and strategies set out herein. It will reallocate available funds only for sound business reasons.

ITEM 2 BUSINESS OF THE FUND

2.1 Structure

The Fund

The Fund is an open-ended unit trust formed on January 15, 2020 under the laws of the Province of Ontario by the Trust Agreement, as amended effective April 30, 2020. The Trustee acts as the trustee of the Trust and the Manager acts as manager of the Trust in accordance with the terms of the Trust Agreement. See ITEM 2.6 – *Material Agreements*.

The Promoter has delegated to the Manager, the Promoter's day to day management duties of the Fund under the Trust Agreement.

An investment in the Fund is represented by Fund Units. The Promoter has the sole discretion to determine whether the capital of the Fund is divided into one or more Classes, the attributes of each Class, and whether the Fund Units of any Class should be re-designated as Fund Units of a different Class. The number of Fund Units that may be issued by the Fund is unlimited. There are currently four classes of fund units (Class A Fund Units, Class F Fund Units, Class R1 Fund Units and Class R2 Fund Units) offered for sale by the Fund. The Class P Fund Units are only available for purchase by Proof Asset Management Inc., an affiliate of the Promoter. The attributes and characteristics of the Fund Units are described in ITEM 5.1 – *Terms of Securities*. Additional Classes of Fund Units may be offered in the future without notice to, or approval of, existing Fund Unitholders and may have different attributes as determined by the Manager.

The Trustee holds the property of the Fund in trust for the Fund Unitholders in accordance with the terms of the Trust Agreement. Fund Unitholders do not have individual ownership of any property or asset of the Fund and the interest of a Fund Unitholder consists only of the right to receive payment from the Fund of the Fund Unitholder's interest in the Fund at the time, place, in the manner and subject to the conditions described herein and in the Trust Agreement.

The Fund may, in the discretion of the Manager, appoint individuals or firms to one or more committees of the Fund

and retain consultants. Any fees payable to the advisory board or consultants shall be paid by the Fund.

The principal office of the Fund is:

500, 301 – 8th Avenue SW
Calgary AB,
T2P 1C5

The fiscal year end of the Fund is December 31st in each year and the taxation year end is December 31st in each year.

Qwest Investment Fund Management Ltd. is the investment fund manager and portfolio manager for the Fund and Cameron Reid, Advising Representative (Portfolio Manager) with Qwest, manages the Fund's portfolio.

See ITEM 10 – *Conflicts of Interest*.

2.2 The Fund's Business

The Fund will make investments in accordance with the investment objectives and strategies set out below.

Investment Objective

The fundamental investment objective of the Fund is to achieve a stable level of current income while also seeking to preserve capital. The Fund primarily invests in private operating entities wherein generally the intent is for a Fund representative to be actively involved in the management of the issuer or a specific project that the Fund is investing in. Some types of investments include, but are not limited to, loans secured by mortgages on real property and/or securities invested in loans secured by mortgages for construction, interim financing, finished goods inventory financing, receivables financing, and term financings, denominated in U.S. or Canadian Dollars. The Fund may also invest in other products, also denominated in U.S. or Canadian Dollars, where the investment objective is substantially similar to the Fund's objective.

Investment Strategy

Some of the investments that the Manager seeks to make to achieve the fundamental investment objective of the Fund primarily include, but are not limited to:

- direct mortgage and loan investments;
- loan participations;
- mortgage investment corporation ("MIC") preferred shares;
- bridge financing and short-term corporate debt (i.e.: with a term of less than 5 years);
- preferred equities;
- direct investments at project or asset level;
- working interest participation structures where payout and or total returns are pre-defined;
- mutual trust fund units of credit and/or income focused mutual funds;
- securitized products (including mortgage backed securities, Canadian Mortgage Backed Securities issues);
- mortgage derivatives and other mortgage products deemed appropriate by the Fund's portfolio manager from time to time; and
- secured and unsecured bonds and debentures.

Mortgage loans may be made for land acquisition and/or servicing, and the development of residential, recreational, commercial and industrial properties. First- and second-mortgages may form part of the Fund's portfolio. The Manager may impose other portfolio management criteria in its sole discretion as part of its management and administration of the Fund.

The Fund may hold short-term liquid investments to maintain the liquidity necessary to fund redemptions or expenses of the Fund. These short-term investments may include, but are not limited to, investment grade bonds, interest-earning money market accounts, government obligations, commercial paper, public securities and short-term certificates of deposit. The Manager may also from time to time maintain a portion of the Fund's assets in cash or cash equivalents for the purposes of paying expenses of the Fund and/or funding redemptions.

2.3 Fees and Expenses

The Fund will pay for all expenses incurred in connection with its ongoing operation and administration estimated to be up to 0.3% of the Net Asset Value of the Fund Units.

2.4 Short and Long Term Objectives

The short and long term objectives of the Fund are to invest all or substantially all of the Fund's assets according to the Fund's investment objective and investment strategy. See ITEM 2.2 – *The Fund's Business*.

2.5 Insufficient Funds

The funds raised by the Fund pursuant to the Offering may not be sufficient to accomplish all of the Fund's proposed objectives and there is no assurance that alternative financings will be available.

2.6 Material Agreements

Summary of the Trust Agreement

The following is a summary of certain provisions of the Trust Agreement not otherwise summarized in this Offering Memorandum and is not necessarily complete. The description of the provisions of the Trust Agreement contained in this Offering Memorandum is subject to and qualified in its entirety by the Trust Agreement. Investors should review the Trust Agreement for complete details of its terms. Investors may request a copy of the Trust Agreement by contacting the Manager at the address, phone number or email address set out herein.

As indicated above, the Promoter's day to day management obligations under the Trust Agreement in relation to funds established by the Promoter, including the Fund, have been delegated to the Manager. Qwest may resign, or be terminated by the Promoter, as manager of the Fund, but only on the condition that a duly licensed and qualified successor is appointed by the Promoter to be manager of the Fund subject to the terms and conditions set forth in this Offering Memorandum.

The Manager

As manager of the Fund, the Manager has been delegated the exclusive power and sole responsibility under the terms of the Trust Agreement to manage the business and affairs of the Fund, including managing and directing the investment of the property of the Fund, arranging and providing for the marketing and distribution of Fund Units in accordance with all applicable laws and determining the investment objectives, strategies, policies and restrictions applicable to the Fund. The Manager has discretion under the Trust Agreement to delegate certain of its duties to third parties or retain service providers from time to time to provide to the Fund administrative, fund valuation, accounting, financial reporting and unitholder recordkeeping services.

The Manager must exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager, its affiliates, subsidiaries and agents, and their respective directors, officers and employees and any other person (each a "**Manager Indemnified Party**") shall be indemnified by the Fund from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by it in connection with its services

provided under the Trust Agreement, provided that the Fund has reasonable grounds to believe that the action or inaction that caused the payment of the fees, judgments and amounts paid in settlement was in the best interest of the Fund and provided that such Manager Indemnified Party shall not be indemnified by that Fund where the Manager Indemnified Party has breached their standard of care under the Trust Agreement, or a claim is made as a result of a Misrepresentation contained in any current offering documents of the Fund distributed or filed in connection with the issue of Fund Units and officers or partners of the Manager or both have granted a contractual right of action under such offering document.

In order for the Fund, acting through the Trustee, to satisfy itself as to whether indemnification is in the best interest of the Fund, the Fund, acting through the Trustee, may obtain a satisfactory legal opinion that the Fund has reasonable grounds to believe that the indemnification is in the best interest of the Fund. Instead of or in addition to the obtainment of such a legal opinion, the Trustee may, in its sole discretion and at the expense of the Fund, call a meeting of the Fund Unitholders pursuant to the Trust Agreement to direct the Trustee as to any such indemnification payments out of the Fund.

The Manager shall have the right to resign by giving notice in writing to the Trustee and the Fund Unitholders not less than 90 days prior to the effective date of resignation. The Manager shall appoint a successor Manager of the Fund, and, unless the successor Manager is an affiliate of the Manager, such appointment must be approved by a majority of the Fund Unitholders. If a successor Manager is not appointed or if the Fund Unitholders do not provide the required approval prior to the effective date of the Manager's resignation, the Trust Agreement shall be terminated upon the effective date of resignation of the Manager and the property of the Fund shall be distributed in accordance with the Trust Agreement.

If the Manager is, in the opinion of the Trustee, in material default of its obligations under the Trust Agreement and such default continues for a period of 120 days from the date the Manager receives notice from the Trustee of such default, then the Trust Agreement shall be terminated and the property of the Fund shall be distributed according to the terms of the Trust Agreement.

If the Manager has been declared bankrupt or insolvent or has entered into liquidation or winding up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reconstruction), the Manager makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency, or the assets of the Manager have become subject to seizure or confiscation by any public or governmental authority, then the Trust Agreement shall be terminated and the assets of the Fund shall be distributed according to the terms of the Trust Agreement.

Mr. Cameron Reid, MBA, CFA, Advising Representative (Portfolio Manager) of the Manager will manage the Fund's portfolio.

The head office and principal business address of the Manager is 850-36 Toronto Street, Toronto, ON, M5C 2C5.

The Trustee

The Trustee has been appointed the trustee and custodian of the Fund in accordance with the terms of the Trust Agreement. The Trustee holds the assets of the Fund in trust for the benefit of the Fund Unitholders. The Trustee does not have responsibility for providing any valuation or recordkeeping services to the Fund or for making any investment decisions in respect of the property of the Fund. The Trustee may however dispose of any property of the Fund on such terms as the Manager may direct or the Trustee may determine in order to pay any obligations imposed on the Fund.

For its services to the Fund, the Trustee will receive an annual fee payable by the Fund as well as reimbursement for reasonable out-of-pocket expenses incurred by the Trustee in the performance of its duties to the Fund.

In performing its obligations and duties as trustee, the Trustee must act honestly, in good faith and in the best interests of the Fund and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent

Canadian trust company would exercise in comparable circumstances. Except to the extent that the Trustee has not complied with the standard of care required under the Trust Agreement, the Trustee shall not be liable for any act or omission in the course of, or connected to, rendering services under the Trust Agreement. The Trustee will not be liable for any losses to, or diminution of, the property of the Fund, except to the extent that such loss or diminution is directly caused by the Trustee's breach of its standard of care under the Trust Agreement.

The Promoter and the Fund shall jointly and severally indemnify and save harmless the Trustee, its affiliates, subsidiaries and agents, and their respective directors, officers, and employees from and against all costs, expenses (including reasonable costs of litigation and reasonable legal fees and expenses), damages, claims, actions, demands and liabilities to which any such indemnified party may become subject as a result of any act or omission in connection with the Trust Agreement or to which any such indemnified party sustains or incurs in relation to the affairs of the Fund, except to the extent such costs, expenses, damages, claims, actions, demands or liabilities are incurred as a result of a breach of the standard of care under the Trust Agreement.

The Trustee may resign as trustee of the Fund upon giving 90 days prior written notice to the Manager and the Fund Unitholders. If the Manager fails to appoint a successor to the Trustee, the Fund will be terminated in accordance with the terms of the Trust Agreement. The Manager may remove the Trustee at any time upon giving 90 days prior notice to the Trustee and the Fund Unitholders, provided that a successor Trustee is appointed or the Fund is terminated in accordance with the Trust Agreement.

In carrying out its duties and obligations as Custodian, the Trustee shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or at least the same degree of care as the Custodian exercises with respect to its own property of a similar kind in the relevant market, whichever is a higher degree of care.

The Trustee's principal place of business is at 155 Wellington Street West, 2nd Floor P.O. Box 7500, Station "A", Toronto, ON M5V 3L3.

Status of Fund Unitholders

No Fund Unitholder shall have or be deemed to have individual ownership of any property or asset of the Fund and the interest of a Fund Unitholder shall consist only of the right to receive payment from the Fund of that Fund Unitholder's interest in the Fund at the time, place, in the manner and subject to the conditions set out in the Trust Agreement.

No Fund Units may be assigned, encumbered, pledged, hypothecated or otherwise transferred except with the prior written consent of the Manager, which may be withheld in the Manager's sole and absolute discretion.

Liability of Fund Unitholders

The Trust Agreement provides that, unless otherwise provided by applicable law or the offering document, no Unitholder shall be held to have any personal liability as such and no resort shall be had to the Unitholder's private property for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund, Proof or the Trustee or any obligation which a Unitholder would otherwise have to indemnify the Trustee for any personal liability incurred by the Trustee as such, but rather, only the Fund's assets are intended to be liable and subject to levy or execution for such satisfaction.

The Trust Agreement further states that if the Fund acquires any investments subject to existing contractual obligations, Proof shall endeavor to have any obligations modified so as to achieve disavowal of the contractual liability of the Unitholders. Proof shall further cause the operations of the Fund to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability on the Unitholders of reclaims against the Fund and shall, to the extent it determines to be possible and reasonable, including the cost of premiums, cause the Fund to carry insurance for the benefit of the Unitholders and annuitants in such amounts as it considers adequate to cover any such foreseeable non-contractual or non-excluded contractual liability..

Limitation on Non-Resident Ownership and Redemption at the Demand of the Manager

At no time may Non-Residents be the beneficial owners of a majority of the Fund Units (on a number of Fund Units or on a fair market value basis), and the Manager shall inform the registrar and transfer agent of the Fund of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Fund Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Fund Units then outstanding (on a number of Fund Units or on a fair market value basis) are, or may be, Non-Residents, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Fund Units (on a number of Fund Units or on a fair market value basis) are beneficially held by Non-Residents, or that such a situation is imminent, the Manager may send a notice to such Non-Resident Fund Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to dispose of their Fund Units or a portion thereof within a specified period of not less than 30 days. If the Fund Unitholders receiving such notice have not disposed of the specified number of Fund Units or provided the Manager with satisfactory evidence that they are not Non-Residents within such period, the Manager may, on behalf of such Fund Unitholders, redeem such Fund Units at the original subscription amount for the Fund Units and, in the interim, shall suspend the voting and distribution rights attached to such Fund Units. Upon such redemption, the affected holders shall cease to be beneficial holders of Fund Units and their rights shall be limited to receiving the net proceeds of redemption of such Fund Units.

Amendments

Proof is entitled to make certain amendments to the Trust Agreement (with the approval of the Trustee and upon providing notice to the Unitholders) as long as such amendment, in the opinion of counsel for either the Trustee or Proof: (i) does not constitute a material change and does not relate to certain specific matters (that are listed in the Trust Agreement); (ii) removes any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Fund; (iii) makes any change or correction in the Trust Agreement that is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained in the Trust Agreement; or (iv) brings the Trust Agreement into conformity with securities legislation or other applicable laws.

There are specific provisions set out in the Trust Agreement that can only be amended with the consent of the Unitholders including the following: (i) the basis of the calculation of a fee or expense charged to the Fund where the proposed change could result in an increase in charges to the Fund; (ii) if Proof is replaced as manager (except if the new manager is an affiliate of Proof); (iii) changes to the investment objectives of the Fund; (iv) decreases to the frequency of the calculation of the Net Asset Value of the Fund; or (v) if certain reorganizations are proposed to be undertaken by the Fund.

The Trust Agreement further states that the consent of the Trustee is required for any amendment that restricts any protection provided to the Trustee or impacts the responsibilities of the Trustee under the Trust Agreement.

Termination

The Fund has no fixed term. The Promoter may, in its discretion, terminate the Fund by giving notice to the Trustee and to the Fund Unitholders and fixing the date of termination not earlier than 90 days following the mailing or other delivery of notice to the Fund Unitholders. The Fund will also be terminated and dissolved in the event that the Manager and/or the Trustee resigns, is removed or becomes incapable of acting and no successor Manager and/or Trustee, as applicable, is appointed in accordance with the Trust Agreement.

No Fund Units may be redeemed at the option of a Fund Unitholder from the date that the notice of termination is delivered and any right of Fund Unitholders to require payment for all or any of their Fund Units will be suspended. Each Fund Unitholder registered as such at the close of business on the date fixed as the termination date of the Fund

shall be entitled to receive from the Fund such Fund Unitholder's proportionate share of the property of the Fund attributable to the applicable Class and available at that time for the purpose of such distribution.

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

3.1 Compensation and Securities Held

The following table provides specified information about each director, officer and Promoter of the Fund and each Person who directly or indirectly beneficially owns or controls 10% or more of any Class of voting securities of the Fund (a "Principal Holder")⁽¹⁾:

Name and Municipality of Principal Residence	Position Held and the Date of Obtaining that Position	Compensation Anticipated to be Paid by the Fund in Current Financial Year	Number, Type and Percentage of Securities Held After the Completion of the Maximum Offering
Jeremy Kaliel ⁽²⁾ Calgary, AB	President & Chief Executive Officer of the Promoter since May, 2019 (inception)	Nil ⁽⁴⁾	Nil
Cameron Reid ⁽³⁾ Calgary, AB	Chief Investment Officer of the Promoter since September, 2019	Nil ⁽⁴⁾	Nil

Notes:

- (1) No Person directly or indirectly own or controls 10% or more of any Class of voting securities of the Fund.
- (2) Mr. Kaliel is an Associate Advising Representative (Associate Portfolio Manager) and Dealing Representative with the Manager.
- (3) Mr. Reid is an Advising Representative (Portfolio Manager) with the Manager.
- (4) Neither Mr. Kaliel nor Mr. Reid receive any compensation from the Fund. However, they are both shareholders of the Promoter, which is the sole shareholder of Proof Asset Management Inc., the holder of the Class P Fund Units. Accordingly, both Mr. Kaliel and Mr. Reid have an interest in distributions made to the Class P Fund Units.

3.2 Management Experience

The following table sets out certain information with respect to the relevant experience and principal occupations of the executive officers of the Promoter of the Fund:

Name	Principal Occupations and Related Experience
Jeremy Kaliel, President and Chief Executive Officer of Proof and Associate Advising Representative (Associate Portfolio Manager) and Dealing Representative of the Manager	Jeremy Kaliel is the President & Chief Executive Officer of Proof Capital Inc., which he founded in May 2019. He is also an Associate Advising Representative (Associate Portfolio Manager) and a Dealing Representative with Qwest Investment Fund Management Ltd. under the supervision of Cameron Reid (Advising Representative (Portfolio Manager)). From July 2017 to September 2018, Mr. Kaliel was the Vice President of Corporate Strategy & Communications for Frontera Energy (FEC-TSX), a publicly listed \$2Bln market cap oil company operating in Colombia and Peru. Prior thereto, Mr. Kaliel had over 12 years of experience in equity research at CIBC, Scotia Capital, and Raymond James - during which time he was ranked the #1 sell-side analyst in his sector multiple times.
Cameron Reid, Chief Investment Officer of Proof and Advising Representative (Portfolio Manager) of the Manager	Cameron Reid is the Chief Investment Officer of Proof Capital Inc., which he joined in September 2019. He is also an Advising Representative (Portfolio Manager) with Qwest Investment Fund Management Ltd. and manages each of Proof's funds. Most recently, Cameron Reid was the Portfolio Manager & Chief Investment Officer for WealthCo Asset Management, where he helped his firm grow AUM to close to \$500MM. Prior to joining WealthCo, Mr. Reid was a Portfolio Manager at BCV Asset Management Inc., and an Associate Portfolio Manager at Brownstone Asset Management. His early career included an Investment Banking Analyst role with Banc of America Securities LLC.

3.3 Penalties, Sanctions and Bankruptcy

Cease Trade Orders

To the Fund's knowledge, no director, executive officer or control person of the Fund is, as at the date of this Offering Memorandum, or was within 10 years before the date hereof, a director, executive officer or control person of any entity, including the Fund, that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity of a director or executive officer, or was a control person, thereof; or
- (b) was subject to an order that was issued after the director, executive officer or control person ceased to be a director, executive officer or control person thereof and which resulted from an event that occurred while that person was acting in such capacity.

For the purposes of the above, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the Fund's knowledge, no director, executive officer or control person of the Fund:

- (a) is, as at the date of this Offering Memorandum, or has been within the 10 years before the date hereof, a director or executive officer of any entity, including the Fund, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Offering Memorandum, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the Fund's knowledge, no director, executive officer or control person of the Fund has been subject to:

- (a) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement with a provincial and territorial securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

3.4 Loans

As at the date of this Offering Memorandum, the Fund does not have any debentures or loans due to or from the Trustee, its principal security holders, the Promoter or the Manager or directors or management thereof.

ITEM 4 CAPITAL STRUCTURE

4.1 Authorized Capital

The authorized capital of the Fund consists of an unlimited number of units. Class A Fund Units and Class F Fund Units are being offered pursuant to this Offering. Additional classes may be offered in the future without notice to or approval of Fund Unitholders. The Fund also has Class P Fund Units which are authorized only for issuance to Proof Asset Management Inc. and Class R Fund Units which have been issued to certain holders to freeze the net value of the equity interests owned by the Fund in Rhodium. See ITEM 5.1 – Terms of Securities.

4.2 Long Term Debt

The Fund does not have any long-term debt as of the date hereof.

Notwithstanding the foregoing, the Fund does have the ability to finance its investments through long-term indebtedness. The Manager may, in its sole discretion, borrow on behalf of the Fund sufficient funds on such terms as it deems appropriate to finance the Fund's investments. However, any financing and the incurring of long-term indebtedness will comply with the Fund's investment objective and strategy as set forth in ITEM 2.2 – *The Fund's Business*.

ITEM 5 SECURITIES OFFERED

5.1 Terms of Securities

Fund Units

An unlimited number of Class A Fund Units and Class F Fund Units are being offered on a continuous basis to investors resident in all of the provinces and territories of Canada who qualify under an exemption from the prospectus requirements in NI 45-106, and to eligible investors in the United States and elsewhere. See ITEM 5.2 – *Subscription Procedure*.

Class A Fund Units are designed for investors who were introduced to the Fund through their financial advisor or broker and who are not enrolled in a dealer sponsored fee-for-service or wrap program. Class A Fund Units offer monthly redemptions.

Class F Fund Units are designed for investors who are enrolled in a dealer sponsored fee-for-service or wrap program and who are subject to a periodic asset-based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Class F Fund Units offer monthly redemptions.

Class P Fund Units are designed to be only purchased by Proof Asset Management Inc., an affiliate of the Promoter, and are not being sold as part of the Offering. The Class P Fund Units entitle Proof Asset Management Inc. to distributions. See ITEM 6.1 – Distributions. Other than this right to distributions, the holders of Class P Fund Units have no other rights as a Unitholder.

Class R1 Fund Units and Class R2 Fund Units are not being sold as part of the Offering. The Net Asset Value of the Class R1 and Class R2 Fund Units is equal to the net value of the equity interests owned by the Fund in Rhodium.

Purchases of Fund Units may be effected through the settlement network operated by FundSERV using the following codes:

Class A Fund Units:	QWE140
Class F Fund Units:	QWE145

Each Fund Unit entitles the holder to participate *pro rata*, in accordance with the provisions of the Trust Agreement, with respect to all distributions of property or assets to Fund Unitholders and, upon liquidation of the Fund, to participate *pro rata* with the other Fund Unitholders in the Net Asset Value of the Fund remaining after the satisfaction of outstanding liabilities of the Fund in accordance with the terms of the Trust Agreement.

Fractional Fund Units may be issued and shall be proportionately entitled to all the same rights as whole Fund Units. All Fund Units and fractions thereof will be issued only as fully paid and non-assessable.

Each Unitholder of the Fund shall be entitled to one vote for each whole Unit held by the Unitholder.

Fund Units are not transferable by a Fund Unitholder except by operation of law or with the written consent of the Manager in its absolute discretion and in compliance with all applicable securities laws. Fund Units of a particular Class may be re-designated by the Manager as Fund Units of another Class based on the respective Net Asset Value per Fund Unit of such Class. The Manager may name or rename each Class without otherwise affecting the attributes of such Class.

The Manager may subdivide or consolidate Fund Units of any Class provided the Net Asset Value per Fund Unit of such Class is amended such that the aggregate Net Asset Value per Fund Unit of such Class prior to such subdivision or consolidation is equal to the aggregate Net Asset Value per Fund Unit of such Class following the subdivision or consolidation.

An investor who purchases Fund Units will receive a customer confirmation from the registered dealer from or through whom Fund Units are purchased in accordance with the book-based system. No physical paper certificates for Fund Units will be issued.

Offering Price

Fund Units are offered at the Net Asset Value per Fund Unit as of the applicable Valuation Date. See “*Determination of Net Asset Value*” below. The subscription amount for Fund Units of a particular closing will vary depending on what the Net Asset Value per Fund Unit is at the time each Fund Unit is purchased.

Monthly Redemption of Units – Class A Fund Units and Class F Fund Units

The redemption of Class A Fund Units and Class F Fund Units may be executed on the last calendar day of any month (the “**Redemption Date**”). Each Fund Unitholder may, upon request to the Manager in a manner and form acceptable to the Manager (including through FundSERV), redeem all or any part of such Fund Unitholder’s Fund Units on a Redemption Date. Fund Units will be redeemed at a redemption price equal to the Net Asset Value per Fund Unit calculated as of the applicable Redemption Date, less applicable deductions and fees.

Redemption requests must be given via FundSERV to the Manager not less than 15 Business Days prior to the Redemption Date in order for the redemption to be effective as of such Redemption Date. The redemption proceeds, less any applicable deductions and fees, will be paid to the redeeming Fund Unitholder not later than 60 Business Days following the applicable Redemption Date. No interest will be paid to the Fund Unitholder on account of any delay in forwarding the proceeds of redemption to the Fund Unitholder.

Fund Units surrendered for redemption will be redeemed on such Redemption Date and the Fund Unitholder will receive payment not later than 60 calendar days following such Redemption Date. Funds Units of a Class may be surrendered for redemption to FundSERV participants for surrender to FundSERV, or to the registrar and transfer agent if applicable, but will be redeemed only on a Redemption Date as set forth above.

A Fund Unitholder may redeem any Class of Fund Units on a Redemption Date for a redemption price per Fund Unit equal to the NAV per Fund Unit of the Class determined on the Redemption Date less any costs incurred by the Fund in funding the redemption, including commissions paid by the Fund.

Redemptions and the payment of redemption proceeds may be suspended in certain circumstances. See “*Suspension of Redemption*” below.

The Manager has the right to compulsorily redeem or cause to be redeemed all or any part of the Fund Units held by a Fund Unitholder at the applicable Net Asset Value per Fund Unit thereof, upon providing notice in writing to the Fund Unitholder as soon as is reasonably practicable in the circumstances before the applicable Redemption Date, which right may be exercised by the Manager in its absolute discretion. Among other reasons, the Manager could exercise this right if a particular Class has few outstanding Fund Units and it is not economically viable to keep that Class open. Alternatively, the Manager could exercise this right of redemption for tax purposes or to comply with applicable securities laws.

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

The above does not apply to the Class R1 Fund Units and Class R2 Fund Units.

Redemption of Units – Class R1 Fund Units and Class R2 Fund Units

The Net Asset Value of the Class R1 and Class R2 Fund Units is equal to the net value of the equity interests owned by the Fund in Rhodium Enterprises, Inc. (“**Rhodium**”). The Fund will redeem the Class R1 and Class R2 Fund Units at the Net Asset Value of the Class R1 and Class R2 Fund Units, as applicable within ninety (90) Business Days following the later of: (i) a Liquidity Event with respect to Rhodium; or (ii) if applicable, the end of any lock up period that the securities in Rhodium held by the Fund are subject to.

Suspension of Redemption

The Manager may suspend redemptions of Fund Units when required to do so under applicable securities laws or at any time the Manager is of the opinion in its sole discretion that there are insufficient liquid assets in the Fund to fund such redemptions and that the liquidation of assets and/or borrowing to fund such redemptions would be detrimental to the Fund and the Fund Unitholders generally; however, the suspension period in such circumstances shall not exceed 12 months. During any period of suspension, the Fund will not redeem any Fund Units and the payment of any redemption proceeds will be postponed.

The Manager will advise Fund Unitholders who have requested a redemption if redemptions will be suspended. During the suspension period, redemption requests for which the redemption price has not yet been calculated may be withdrawn within three Business Days following receipt by the Fund Unitholder of notice of such suspension. To the extent that a request for redemption is not withdrawn, the redemption will be effected as of the first Redemption Date following the recommencement of redemptions. Where possible, all reasonable efforts will be made to bring any period of suspension to an end as soon as possible. An investor who has submitted a purchase order for which the issue price has not yet been calculated may either withdraw such investor’s purchase order prior to the end of such suspension period or receive Fund Units based on the Net Asset Value per Unit next calculated after the termination of the suspension.

Switches and Exchanges

Subject to the consent of the Manager, Fund Unitholders may exchange or switch all or part of their investment in the Fund from one Class to another Class if the Fund Unitholder is eligible to purchase Fund Units of that other Class. The timing and processing rules applicable to purchases and redemptions of Fund Units also applies to exchanges or switches between Classes. See ITEM 5.1 – *Terms of Securities – Monthly Redemption of Units*. Upon an exchange or switch from one Class of Fund Units to another Class, the number of Fund Units held by the Fund Unitholder may change since each Class has a different Net Asset Value per Fund Unit. Fund Unitholders should consult with their own tax advisors regarding any tax implications of exchanging or switching between Classes.

Determination of Net Asset Value

The Net Asset Value of the Fund on a particular date is equal to the fair market value of the assets of the Fund, less the aggregate value of the liabilities of the Fund, including any net income, net realized capital gains and other amounts payable to Fund Unitholders on or before such date, expressed in Canadian dollars at the applicable exchange rate on such date. The Net Asset Value per Fund Unit of each Class on any day is obtained by dividing the Net Asset Value of the Fund on such by the number of Fund Units of each Class then outstanding.

The Net Asset Value of the Fund on any date will be equal to the difference between the fair market value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date, other than liabilities relating exclusively to a specific Class of Fund Units, as determined from time to time. Such NAV will include any net income, net realized capital gains and other amounts payable to Fund Unitholders on or before such date, and before giving effect to any redemptions or issuances of Fund Units to be implemented as of such date, expressed in Canadian dollars at the applicable exchange rate on such date and rounded to four decimal places.

The Net Asset Value of a Class of Fund Units on any date will be equal to (i) the aggregate value of the property of the Fund on such date less the aggregate amount of the Fund's liabilities on such date, other than liabilities relating exclusively to a specific Class of Fund Units, multiplied by a fraction, the numerator of which is the number of Fund Units of the Class outstanding and the denominator of which is the total number of Fund Units outstanding minus (ii) all liabilities relating exclusively to the Class on such date, as determined from time to time.

The Net Asset Value per Fund Unit of a Class is the NAV of a Class of Fund Units divided by the number of issued and outstanding Fund Units of such Class (determined before giving effect to any reinvestment of net income, net realized capital gains or other distributions then payable to Fund Unitholders and before giving effect to any redemptions or issuances of Fund Units to be implemented as of such date) as determined from time to time.

The NAV and the NAV per Fund Unit of each Class will be calculated by either at the close of business of each Business Day or the last Business Day of each calendar month as determined by the Manager, or such other date as the Trustee may require (the "**Valuation Date**"). The NAV is calculated on each Valuation Date.

Valuation Policies and Procedures

Most of the investments made by the Fund, including investments that are made through Underlying Funds, will be in the form of investments for which no published market exists. The Manager will be required to make good faith determinations as to the fair value of these investments in determining the Net Asset Value of the Fund on each Valuation Date and on a semi-annual basis in connection with the preparation of the Fund's financial statements, subject to the following:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared on an ex dividend basis and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security which is listed on any recognized exchange shall be determined by the closing sale price on the Valuation Date or, if there is no closing sale price, the average between the closing bid and the closing asked price on the Valuation Date, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;

- (d) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Manager;
- (e) the value of any security, the resale of which is restricted or limited by reason of any representation, undertaking or agreement or by law, shall be the quoted market value less the most recent percentage discount provided by the Manager for illiquidity amortized over the length of the restricted period;
- (f) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (g) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value of the Fund. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- (h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at the Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (i) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (j) all assets of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager, including, but not limited to, the Trustee or any of its affiliates; and
- (k) all expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis.

If in the opinion of the Manager, or a service provider appointed by the Manager to provide valuation services to the Fund (a “**Service Provider**”), an investment cannot be valued under the foregoing principles (because no price of yield equivalent quotations are available as provided above, or the current pricing option is not appropriate, or for any other reason), the Manager will make such valuation as it considers fair and reasonable provided that any change to the standard pricing principles as set out above shall require prior consultation and written agreement with the Service Provider (if applicable).

In determining the value of non-public investments on any Valuation Date, the Manager takes into account all definitive information known at that time. The Manager does not restate or recalculate any prior published NAV based on subsequently received information dated as of (or prior to) such Valuation Date if such information was unknown to the Manager on such Valuation Date.

In determining the value of non-public investments as set forth above, the Manager’s determination of fair market value will adhere to generally accepted accounting principles (“**GAAP**”). The determination of fair market value may be based on a number of valuation techniques for non-public investments contemplated in the CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement (“**Section 3855**”), A.47-A.49 and such other valuation techniques as the Manager determines are appropriate. Section 3855 provides that when the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques prescribed by Section 3855 include using recent arm’s length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flows analysis; and option pricing models. Section 3855 provides that estimates of fair value should be based on a valuation technique that relies as little as possible on inputs generated by the entity and makes maximum use of inputs observed from the market. Further, Section 3855 requires an entity to periodically test the valuation technique for validity using prices from an observable current market transaction in the same instrument or based on observable market data.

The process used by the Manager to determine the value of non-public investments involves review of quarterly reports provided by the Underlying Funds with a view to assessing whether the valuation of the Underlying Funds is reflective of fair market value based on GAAP requirements. On an annual basis, this valuation process will involve a review of the audited annual valuation reports of the Underlying Funds with the auditor of the Fund, thereby providing two levels of audit review of each investment.

5.2 Subscription Procedure

The Class A Fund Units and Class F Fund Units are conditionally offered if, as and when subscriptions are accepted by the Fund and subject to prior sale. There is no minimum or maximum offering. Subscriptions for Fund Units will be received by the Fund subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Fund Units are offered on a continuous basis with closings generally occurring on each Business Day of every month, with settlement expected to occur on or about 2 Business Days from the closing date, or such other dates as the Manager may determine. In offering the Fund Units, the Fund will be relying on exemptions from the prospectus requirements of securities laws in the various provinces and territories of Canada.

Subscriptions for Fund Units will only be accepted through registered dealers. Prospective investors who wish to subscribe for Fund Units must complete, execute and deliver the Subscription Agreement that accompanies this Offering Memorandum and all accompanying schedules and exhibits to their dealer and tender the subscription amount by cheque, bank draft, wire order or other form of payment acceptable to the Manager (including through facilities of FundSERV) for payment of the subscription amount.

Subscription funds provided prior to a Valuation Date will be kept in a segregated account. Subscriptions for Fund Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. The Fund is not obliged to accept any subscription. No subscription for Fund Units will be accepted from a purchaser unless the Manager is satisfied that the subscription is in compliance with the requirements of applicable securities legislation. If a subscription is not accepted, the Fund will promptly return to the subscriber the Subscription Agreement and the money comprising such subscription without interest or deduction. Confirmation of acceptance of a subscription will be forwarded to the subscriber or, if applicable, to the relevant registered dealer by the Fund. A subscriber has the right to cancel the subscription by sending written notice before midnight of the second Business Day after a completed and signed Subscription Agreement and funds representing the subscription amount are received by the Manager. The Fund reserves the right to close the subscription books at any time without notice.

Purchasers will be required to make certain representations (including those noted above) in the Subscription Agreement, and the Manager and the Fund are entitled to rely on such representations, to establish the availability of exemptions from the prospectus requirements under NI 45-106.

Fund Units may be purchased as at the close of business on a Valuation Date if a duly completed subscription form and the required payment reaches the Manager no later than 4:00 p.m. (Toronto time) prior to or on such Valuation Date.

You should carefully review the terms of the Subscription Agreement accompanying this Offering Memorandum for more detailed information concerning the rights and obligations of you and the Fund. Execution and delivery of the subscription agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors.

Additional Subscriptions

Following the initial minimum investment in the Fund, Fund Unitholders may make additional minimum investments. The Manager may, in its sole discretion, permit additional investments of lesser amounts. Fund Unitholders subscribing for additional Fund Units will be required to complete an additional Subscription Agreement and must qualify under the prospectus exemptions in NI 45-106.

ITEM 6 DISTRIBUTIONS

6.1 Distributions

The Fund expects to declare distributions to each Fund Unitholder of Class A Fund Units and Class F Fund Units on quarterly basis, or such other period as is deemed reasonable in the sole discretion of the Manager. On each Distribution Payment Date, the Manager will distribute an amount it deems appropriate. Such distributions will be paid in arrears following the period to which the distribution relates. The Final Year End Distribution will equal 100% of the Fund's net income and net realized capital gains of the Class for the year, less any amounts distributable to the holders of Class P Fund Units, reserves that the Manager deems appropriate and any previous distributions made in that year.

In respect of the Class P Fund Units, the Fund will make a distribution on the Class P Fund Units equal to equal to 1.0% of the Net Asset Value of the Class A Fund Units and the Class F Fund Unit, accrued daily and distributed monthly.

Further, the Fund will make distributions on the Class P Fund Units equal to 10% of the amount by which the total return of the Fund Units exceeds the High-Water Mark and shall be made (i) on the Class A Fund Units and Class F Fund Units quarterly in arrears; and (ii) on the Class R1 and Class R2 Fund Units upon a Liquidity Event with respect to Rhodium.

Subject to a Fund Unitholder's election to receive distributions in Fund Units, distributions by the Fund may be paid in cash, at the Manager's discretion. If the Fund has taxable income for which it has not received cash, the Fund may make distributions of such taxable income in Fund Units. Payment of income by the distribution of Fund Units can result in Fund Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

A Fund Unitholder who wishes to receive distributions in Fund Units must complete the distribution reinvestment plan enrolment form provided by the Fund's transfer agent.

In order to provide the funds available to pay the Trailer Fee, on each distribution the amount of the Trailer Fee will be deducted from the distribution otherwise payable to holders of Class A Fund Units and Class R1 Fund Units. If at any Distribution Payment Date there are insufficient funds to pay the Trailer Fee from the distribution otherwise payable to the holders of Class A Fund Units, the Manager will redeem a sufficient number of Fund Units from each such holder to pay the Trailer Fee payable by such holder.

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

Fund Unitholders who redeem their Fund Units will not participate in any distributions declared after the date of redemption.

The Fund intends to distribute all of the net income and net realized capital gains, if any, of the Fund to Fund Unitholders, so that the Fund will not be liable to pay income tax pursuant to the Tax Act during any year. Distributions to Fund Unitholders in excess of the net income and net realized capital gains, if any, of the Fund, will generally result in a reduction in the adjusted cost base of the Fund Units to the Fund Unitholder. See ITEM 7 – *Income Tax Consequences and Registered Plan Eligibility*.

Notwithstanding the foregoing, the Manager may, in its sole discretion, borrow on behalf of the Fund sufficient funds on such terms as it deems appropriate to make a cash distribution. In the event that the Manager, in its sole discretion, decides not to borrow funds in order to make a distribution wholly in cash, the distribution payable to the Fund Unitholders may include a distribution of additional Fund Units having a value equal to the cash shortfall. The distribution of Fund Units shall be subject to the requirements of the applicable Securities Authorities and if not permitted, distributions will be made in cash. The Manager may, in exceptional circumstances, consolidate the

number of outstanding Fund Units after a distribution of additional Fund Units, so that each Fund Unitholder holds the same number of Fund Units held before the distribution of additional Fund Units.

The Fund has adopted a DRIP, pursuant to which Fund Unitholders are entitled to elect to have all distributions of the Fund automatically reinvested in additional Fund Units. No brokerage commission will be payable in connection with the purchase of Fund Units under the DRIP and all administrative costs will be borne by the Fund. Fund Unitholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Fund Unitholder must terminate his or her participation in the DRIP.

The above does not apply to Class R1 Fund Units and Class R2 Fund Units.

6.2 Distribution on Termination of the Trust

On the termination of the Fund, the assets of the Fund will be liquidated and the proceeds distributed in the following order:

- (a) to pay the liabilities of the Fund (including unpaid fees and expenses of the Manager) and to establish reserves for the contingent liabilities of the Fund; and
- (b) to redeem the Fund Units on a pro rata basis from the Fund Unitholders.

ITEM 7 INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

7.1 Disclaimer

Before purchasing Fund Units, you should consult your own professional advisers to obtain advice on any and all income tax consequences that apply to you.

7.2 Summary of Significant Tax Consequences

The following is a general summary, prepared by the Promoter, of the principal Canadian federal income tax considerations as at the date hereof, generally applicable to an investor who acquires Fund Units under this Offering Memorandum and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, and holds Fund Units as capital property. Generally, Fund Units will be considered to be capital property to a holder provided that the holder does not hold the Fund Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain persons who might not otherwise be considered to hold their Fund Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the information contained in this Offering Memorandum, the current provisions of the Tax Act and the regulations made under the Tax Act, specific proposals to amend the Tax Act and those regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current administrative practices and assessing policies of the CRA made publicly available in writing prior to the date hereof. It is assumed that all amendments will be passed as proposed. This summary does not otherwise take into account or anticipate any other changes in law whether by legislative, governmental, or judicial action, nor does it take into account provincial or foreign income tax considerations which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Fund Units and does not deal with other federal, provincial or foreign income tax legislation or considerations. This summary does not address the deductibility of interest on any funds borrowed by a Fund Unitholder to purchase Fund Units. This summary is of a general nature only and is not intended to constitute legal or tax advice to any particular Investor. Prospective investors are advised to consult their own tax advisers with respect to the tax consequences of

investing in Fund Units based upon their particular circumstances, including the provinces in which the Fund Unitholder resides or carries on business. **Investors should consult their own tax advisers with respect to the tax consequences in their particular circumstances.**

This summary assumes that, at all times, no more than 50% of the fair market value of all interests in the Fund are held by holders that are “financial institutions”, as such term is defined in subsection 142.2(1) of the Tax Act. This summary also assumes that none of the underlying investments will constitute a “controlled foreign affiliate” of the Fund for purposes of the Tax Act.

Status of the Fund

This summary is based on the assumption that the Fund will qualify at all times as a “mutual fund trust” for purposes of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act; (ii) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable); and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Fund Units. The Manager expects that the Fund will qualify as a mutual fund trust under the Tax Act at all material times, however there can be no assurance that this will be the case. In the event the Fund does not qualify as a mutual fund trust under the Tax Act at all relevant times, the income tax consequences described in this item would, in some respects, be materially and adversely different.

This Summary assumes that the Fund Units will not be listed or traded on a stock exchange or other public market and on this basis, assumes that the Fund will not be a “SIFT Trust” within the meaning of the Tax Act.

Taxation of the Fund

The Fund will be subject to tax under Part I of the Tax Act on its net income for the year determined under the Tax Act (and computed in Canadian dollars) for each taxation year, including interest that accrues to it to the end of the year or becomes receivable or is received by it before the end of the year (except to the extent that it was included in computing its income for a prior year), dividends received in the year (including all amounts it receives from the Underlying Fund on account of or in lieu of payment of, or in satisfaction of, dividends on the shares of the Underlying Fund), and any net realized taxable capital gains on the disposition of investments, except to the extent such income or capital gains are paid or made payable in such year to Fund Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Fund Unitholder is entitled in that year to enforce payment of the amount.

The Fund is required to compute its net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act. Consequently, the Fund may realize income or capital gains by virtue of changes in the value of a foreign currency relative to the Canadian dollar.

It is the Fund’s intention to distribute to Fund Unitholders in each year its net income and net realized capital gains (net of realized capital losses, if any), taking into account any entitlement to the capital gains refunds (as described below), to such an extent that the Fund will not be liable in any year for ordinary income tax under Part I of the Tax Act. Therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains, the Fund will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on certain factors, including the redemptions of Fund Units during the year (“capital gains refund”).

The Fund may pay foreign withholding or other taxes in connection with investments in foreign securities. To the extent that such foreign taxes paid by the Fund exceed 15% of the foreign income (excluding capital gains) from such

investments, such excess may generally be deducted by the Fund in computing its income for purposes of the Tax Act. To the extent that such foreign taxes do not exceed 15% and have not been deducted by the Fund in computing its income, the Fund may designate a portion of its foreign source income in respect of a unitholder, so that such income and a portion of the foreign taxes paid by the Fund may be regarded as foreign source income of, and foreign taxes paid by, the unitholder for purposes of the foreign tax credit provisions of the Tax Act.

The “derivative forward agreement” (“**DFA**”) rules target certain financial arrangements that seek to reduce tax by converting, through the use of derivative contracts, the return on investments that would have the character of ordinary income to capital gains. If the DFA rules were to apply in respect of any derivatives to be utilized by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. The DFA rules will generally not apply to derivatives used to hedge gains or losses.

The Fund will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Fund Units. Such issue expenses paid by the Fund and not reimbursed will be deductible by the Fund ratably over a five year period subject to reduction in any taxation year which is less than 365 days. In computing its income under the Tax Act, the Fund may deduct reasonable administrative and other expenses incurred to earn income. All of the Fund’s deductible expenses, including expenses applicable to specific classes of Fund Units, will be taken into account in determining the income or loss of the Fund as a whole.

To the extent that an investment by the Fund is an “offshore investment fund property” (within the meaning of the Tax Act), the Fund may be required to include in its income the amount determined in accordance with section 94.1 of the Tax Act (the “**OIFP Rules**”). In general terms, the OIFP Rules will apply to the Fund if it is reasonable to conclude, having regard to all the circumstances, that one of the main reasons for the Fund acquiring or holding an investment in a non-resident entity is to derive a benefit from “portfolio investments” of the non-resident entity in such a manner that taxes under the Tax Act on income, profits and gains for any year are significantly less than they would have been if such income, profits and gains had been earned directly by the Fund. If section 94.1 of the Tax Act were to apply to an investment by the Fund, the Fund would generally include an amount in income in respect of each month equal to the “designated cost” of the investment at the end of the month multiplied by one-twelfth of the sum of a prescribed rate of interest and 2%. The amount to be included in income under section 94.1 of the Tax Act in respect of an investment will be reduced by any income (other than a capital gain) from the investment for the taxation year. The adjusted cost base of the Fund’s investment will be correspondingly increased by any such amount included in income. The prescribed rate of interest is linked to the yield on 90-day Government of Canada Treasury Bills and is adjusted quarterly.

No assurance can be given that the OIFP Rules will not apply to the Fund and that the Fund will not have imputed income that will be allocated and distributed to Fund Unitholders.

Prospective investors should consult their own tax advisors regarding the consequences to them in their particular circumstances if, as a result of the OIFP Rules applying to the Fund, the investors are required to include in income their proportionate share of imputed income, with no corresponding cash distributions.

Taxation of Fund Unitholders

Fund Unitholders will be required to include in their income for tax purposes for a particular year the amount (computed in Canadian dollars) of net income and the taxable portion of net realized capital gains, if any, paid or payable to them in the year and deducted by the Fund in computing its income, whether or not reinvested in additional Fund Units. Certain provisions of the Tax Act permit the Fund to make designations so that income from foreign sources, taxable dividends and net taxable capital gains retain their character in the hands of the Fund Unitholders. To the extent that appropriate designations are made by the Fund, taxable dividends, net taxable capital gains and foreign source income paid or payable to Fund Unitholders will generally be taxable as if such income had been received by them directly. Income earned derived from foreign sources may be subject to foreign withholding taxes which, to the extent permitted by the Tax Act (and not otherwise deducted by the Fund in computing its income), may be claimed as a deduction or credit by Fund Unitholders.

To the extent that distributions to a Fund Unitholder in a year exceed the Fund Unitholder's share of the Fund's net income and net realized capital gains for the year, such excess distributions will be a return of capital that is not taxable to the Fund Unitholder but will reduce the adjusted cost base to the Fund Unitholder of such Fund Unitholder's Fund Units. If the adjusted cost base to the Fund Unitholder of such Fund Unitholder's Fund Units becomes negative, the amount by which it is negative is an immediate capital gain to the Fund Unitholder, and the adjusted cost base of the Fund Units resets at zero.

Fund Unitholders will be advised each year of the amount of net income, net realized capital gains and excess distributions described above that are paid or payable to them, the amount of net income considered to have been received as a taxable dividend and foreign source income and the amount of any foreign taxes considered to have been paid by them. Individuals and certain trusts may be liable for alternative minimum tax in respect of distributions designated as dividends, if any, from taxable Canadian corporations and taxable capital gains.

A Fund Unitholder's share of distributions paid by the Fund will generally be based on the number of Fund Units held by the Fund Unitholder on the record date of the distribution regardless of how long the Fund Unitholder has owned his or her Fund Units. Where a Fund Unitholder purchases Fund Units, the Net Asset Value per Fund Unit, and therefore the price paid for the Fund Unit, may reflect income and gains that have accrued in the Fund which have not yet been realized or distributed. When such income and gains are distributed by the Fund, the Fund Unitholder will be required to include his or her share of the distribution in his or her income even though some of the distribution the Fund Unitholder received may reflect the purchase price paid by the Fund Unitholder for the Fund Units. This effect could be particularly significant if the Fund Unitholder purchases Fund Units just before a record date for distribution by the Fund.

Where the conditions and circumstances for the application of the OIFP Rules are considered to be met, the OIFP Rules may apply to the Fund and the Fund's imputed income under the OIFP Rules will be allocated and distributed to Fund Unitholders.

Upon the actual or deemed disposition of a Fund Unit, including the redemption of a Fund Unit by the Fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Fund Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Fund Unit to the Fund Unitholder and any reasonable costs of disposition. Under the Tax Act, generally one-half of a capital gain must be included in income as a taxable capital gain. Generally, one-half of a capital loss is an allowable capital loss, which may be deducted against taxable capital gains, subject to the rules in the Tax Act.

7.3 Eligibility for Investment

Provided the Fund qualifies at all relevant times as a "mutual fund trust" within the meaning of the Tax Act, Fund Units will be qualified investments for trusts governed by RRSPs, RRIFs, RESPs, RDSPs, TFSAs and deferred profit sharing plans.

Notwithstanding that Fund Units may be qualified investments for a TFSA, RRSP, RESP, RDSP and RRIF, the holder of a TFSA or a RDSP, the annuitant of a RRSP or RRIF, or the subscriber of the RESP, as the case may be, will be subject to a penalty tax if the Fund Units are a "prohibited investment" under the Tax Act for the TFSA, RRSP, RRIF, RESP or RDSP, as the case may be. A Fund Unit will generally be a "prohibited investment" if the holder of the TFSA or the RDSP, the annuitant of the RRSP or RRIF, or the subscriber of a RESP as the case may be, (i) does not deal at arm's length with the Fund for purposes of the Tax Act; or (ii) has a "significant interest" (within the meaning of the Tax Act) in the Fund, as the case may be. In addition, the Fund Units will generally not be a "prohibited investment" if the Fund Units are "excluded property" (as defined in the Tax Act) for the RRSP, RRIF, RESPs, RDSP or TFSA. Holders, subscribers and annuitants should consult their own tax advisors with respect to whether units of the Fund would be a prohibited investment in their circumstances.

Before purchasing Fund Units, you should consult your own professional advisers to obtain advice on the eligibility of Fund Units for investment in your particular circumstances.

ITEM 8 COMPENSATION PAID TO DEALERS

8.1 Selling Commissions

Subscriptions for Class A Fund Units will only be accepted through registered dealers. Registered dealers may, at their discretion, charge purchasers a front-end sales commission of up to 8% of the subscription amount of a Gross Subscription Order for Class A Fund Units. Any such sales commission will be negotiated between the registered dealer and the purchaser and will be deducted from the subscription amount of the Gross Subscription Order and paid by the purchaser, directly to the registered dealer.

In addition, in certain circumstances, registered dealers may be reimbursed for their due diligence costs, and other forms of consideration, and charge purchasers a Dealer Fee of up to 1% of the subscription amount of the Class A Fund Units being purchased. The Dealer Fee will also be deducted from the subscription amount of the Gross Subscription Order and paid directly by the purchaser to the registered dealer.

The net subscription amount, being the Gross Subscription Order less any front-end sales commission and any dealer fee, will then be invested into the Fund. There is no sales commission or dealer fee on purchases of Class F Fund Units.

The Fund will pay a Trailer Fee to registered dealers in respect of the Class A Fund Units and Class R1 Fund Units, payable monthly in arrears. The amount of the Trailer Fee will be deducted from distributions to the holders of the Class A Fund Units and Class R1 Fund Units. There is no Trailer Fee associated with Class F Fund Units as described in ITEM 8.2 – Dealer Compensation.

The Fund will not pay any commissions to persons that the Fund is not permitted to pay a commission, notwithstanding the purchase option selected by the purchaser.

8.2 Dealer Compensation

As set out under in ITEM 8.1 -*Selling Commissions* above, brokers, dealers or advisors selling Fund Units may charge a commission at the time of purchasing Fund Units, which will reduce the amount of money invested in the Fund. The Fund will pay an investor's authorized broker, dealer or advisor Trailer Fees as compensation for ongoing advice and service in respect of Class A Fund Units and Class R1 Fund Units. The Trailer Fees are accrued monthly and are paid monthly at the current annual rate of 1% of the Net Asset Value per Fund Unit of the Class A Fund Units or Class R1 Fund Units held by clients of the authorized broker, dealer or advisor. The Trailer Fee is calculated based on the Net Asset Value per Fund Unit of the Class A Fund Units and Class R1 Fund Units for each month. The Trailer Fee will not be paid if Class A Fund Units are redeemed. Trailer Fees are calculated monthly and payable, on or about 15 days following the last day of each month. The amount of the Trailer Fee will be deducted from distributions otherwise payable to the holders of Class A Fund Units and Class R1 Fund Units. The Fund may, from time to time, pay the Trailer Fee more frequently than monthly, in which event the Trailer Fee will be pro-rated for the period to which it relates.

Trailer Fees payable by the Fund may be modified or discontinued by the Manager at any time. The Manager may, at its discretion, negotiate, change the terms and conditions of, or discontinue the Trailer Fee with brokers, dealers and advisors. Brokers, dealers or advisors qualifying for a Trailer Fee in respect of the Fund for the first time must contact the Manager in writing to arrange the first payment. Payments thereafter are made automatically as long as the broker, dealer or advisor continues to qualify.

ITEM 9 RISK FACTORS

The purchase of Fund Units involves a number of risks. An investor should reach a decision to invest in the Fund after careful consideration with his or her advisors as to the suitability of an investment in the Fund in light of its investment objective and the information set out in this Offering Memorandum. The Promoter and the Manager do not make any recommendation as to the suitability of the Fund for investment by any person. All prospective Fund Unitholders should consider an investment in the Fund within the overall context of their investment objectives. Investment considerations include, but are not limited to setting objectives, defining risk/return constraints and considering time

horizons. This Offering is not suitable for investors who cannot afford to assume moderate risks in connection with their investments. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following factors.

Return on Fund Units Determined By Reference to Investment Portfolio

Fund Unitholders' returns on the Fund Units will be determined by reference to any cumulative net gains or losses (if any) arising from the investment activities of the Fund and any appreciation (including all the accrued interest thereon) earned in the Fund Units. The return on the Fund Units may decrease as well as increase. The Fund makes no representation as to any return that a Unitholder will earn on the Fund Units and there can be no assurance that information set out in this Offering Memorandum will be, in any respect, indicative of how they will perform (either in terms of profitability, volatility or low correlation with other investments) in the future.

Shortfall in Financing

Until the Fund generates sufficient cash flow to pay for the Operating Expenses, the Promoter intends to pay the Operating Expenses of the Fund and may waive its right to reimbursement from the Fund. However, the Promoter has no obligation to fund such Operating Expenses or any other deficits of the Fund or to advance funds to continue the operation of the Fund. Even if the Promoter elects to do so voluntarily or is held accountable by Fund creditors, its available assets may not be adequate to satisfy the needs of the Fund.

If at any time there is not sufficient cash on hand to redeem Fund Units, the Fund may borrow an amount to finance the redemption of Fund Units. Any such borrowing could have an adverse impact on the net asset value of the Fund, and there can be no assurance that such financing will be available.

If Fund revenues are insufficient to pay the expenses of the Fund and/or fund redemptions and if the Promoter does not advance such additional funds as may be needed by the Fund, the Fund may not be able to continue its operations in the absence of an alternative source of financing, and there can be no assurance that such financing will be available.

General Investment Risk

The Net Asset Value per Fund Unit will vary directly with the value and return of the Fund's underlying investments. There can be no assurance that the Fund will not incur losses. There is no guarantee that the Fund will earn a return.

Limited Ability to Liquidate Investment

There is no formal market for Fund Units and one is not expected to develop. The offering of Fund Units is not qualified by way of prospectus, and consequently the resale of Fund Units is subject to restrictions under applicable securities laws. In addition, Fund Units may not be assigned, encumbered, pledged, hypothecated or otherwise transferred except with the prior written consent of the Manager, which may be withheld in the Manager's sole and absolute discretion. Accordingly, it is possible that Fund Unitholders may not be able to resell their Fund Units other than by way of redemption which redemption will be subject to the limitations described in ITEM 5.1 – *Terms of Securities – Monthly Redemption of Units*. There are circumstances where the Fund may suspend redemptions. In certain circumstances, Fund Unitholders may not be able to liquidate their investments in a timely manner. As a result, an investment in the Fund Units is suitable only for sophisticated investors who do not require liquidity for their investment and are able to bear the financial risk of the investment for an extended period of time.

Redemptions

Redemptions may be suspended in certain circumstances. See ITEM 5.1 – *Terms of Securities – Suspension of Redemption*. Substantial redemptions of Fund Units from the Fund could require the Fund to liquidate positions more rapidly than otherwise desirable or to borrow money to raise the necessary cash to fund redemptions. Such factors could adversely affect the value of the Fund Units redeemed and of the Fund Units remaining.

Tax Matters

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

If Fund does not qualify as a "mutual fund trust" under the Tax Act or ceases to so qualify, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects. For example, if the Fund ceases to qualify as a mutual fund trust, Fund Units may cease to be qualified investments for Deferred Plans. This could result in Deferred Plans which hold Fund Units becoming liable for a penalty tax under the Tax Act. In addition, if the Fund does not qualify or ceases to qualify as a mutual fund trust under the Tax Act, it will be treated as a "financial institution" for purposes of certain special mark-to-market rules in the Tax Act if more than 50% of the Fund Units are held by one or more Fund Unitholders that are themselves considered to be financial institutions under those rules. In such a case, the Fund will be required to recognize on income account any gains or losses accruing and realized on certain types of debt obligations and equity securities that it holds and disposes of, respectively, and also will be subject to special rules with respect to income inclusion on these securities. Any income arising from such treatment will be included in the amounts distributed to Fund Unitholders.

Payment of income by the distribution of Fund Units can result in Fund Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability. There can be no assurance that cash distributions to pay that tax liability, in whole or in part, will be made.

If the Fund ceases to qualify as a mutual fund trust, it may be subject to the "loss restriction event" rules (as defined in the Tax Act) (the "**LRE Rules**") in certain circumstances. Generally, the Fund will have a "loss restriction event" if any person, together with other persons with whom that person is affiliated within the meaning of the Tax Act, or any group of persons acting in concert, acquires Fund Units having a fair market value that is greater than 50% of the fair market value of all the Fund Units of the Fund. Upon the occurrence of a "loss restriction event", the Fund will have a deemed tax year-end resulting generally in a short taxation year, any undistributed income and realized capital gains (net of any applicable losses) would be expected to be made payable as a distribution on the Fund Units held by Fund Unitholders of record of the Fund on the record date for such distribution (which generally would be expected to be the last Business Day in such short taxation year) and the Fund would be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the "loss restriction event".

To the extent that any non-Canadian entities in which the Fund directly invests are "foreign affiliates" and "controlled foreign affiliates", collectively referred to herein as "CFAs", of the Fund, and such entities earn income that is characterized as "foreign accrual property income", or "FAPI", as defined in the Tax Act, the Fund's proportionate share of such FAPI must be included in computing the income of the Fund for Canadian federal income tax purposes for the fiscal period of the Fund in which the taxation year of such CFA that earned the FAPI ends, whether or not the Fund actually receives a distribution of such income from the CFA. As a result, the Fund may be required to include amounts allocated to it in computing its income for Canadian federal income tax purposes even though there may be no corresponding cash distribution to the Fund. Consequently, Fund Unitholders may be required to include amounts in their income even though they have not and may not receive an actual cash distribution of such amount from the Fund. The Manager does not expect the Fund to invest in entities that constitute CFAs.

Section 94.1 of the Tax Act contains rules relating to investments in non-resident entities that could in certain circumstances cause income to be imputed to the Fund for Canadian federal income tax purposes. These rules would apply if it is reasonable to conclude, having regard to all the circumstances, that one of the main reasons for the Fund acquiring or holding an investment in a non-resident entity is to derive a benefit from "portfolio investments" in such a manner that taxes under the Tax Act on income, profits and gains for any year are significantly less than they would have been if such income, profits and gains had been earned directly. In determining whether this is the case, section

94.1 of the Tax Act provides that consideration must be given to, among other factors, the extent to which the income, profits and gains for any fiscal period are distributed in that or the immediately following fiscal period. If these rules apply to the Fund, income for Canadian federal income tax purposes will be imputed directly to the Fund in accordance with the rules in section 94.1 of the Tax Act. The proportionate share of such income will be allocated to the Fund, and distributed to Fund Unitholders. No assurance can be given that section 94.1 of the Tax Act will not apply to the Fund. The rules in section 94.1 of the Tax Act are complex and prospective investors should consult their own tax advisors regarding the consequences to them in their particular circumstances if, as a result of the rules in section 94.1 of the Tax Act applying to the Fund, the investors are required to include in income their proportionate share of imputed income, with no corresponding cash distributions.

Not a Prospectus Offered Fund

The Fund is not a prospectus offering for the purposes of applicable securities law and, accordingly, the Fund is not subject to certain restrictions and disclosure obligations applicable to entities that are considered to be prospectus offered mutual funds and investments funds for the purposes of applicable securities laws. The Fund is also not subject to the restrictions placed on prospectus offered investment funds and mutual funds to ensure diversification and liquidity of the Fund's portfolio.

Fees and Expenses

The Fund may be obligated to pay fees, commissions, administration, accounting, filing and other expenses regardless of whether it realizes profits.

Not a Trust Company

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

No Guaranteed Return

There is no guarantee that an investment in Fund Units will earn any positive return in the short or long term.

Net Asset Value and Estimated Values

Valuation of the investments held by the Fund may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund and the Net Asset Value per Fund Unit could be adversely affected. The calculation of the Net Asset Value of the Fund is based on the net asset value of the investments held by the Fund. No adjustments will be made to the number of Fund Units purchased or redeemed by an investor in the Fund because of the use of estimated values in determining the net asset value of the investments of the Fund. The valuation of the Fund for the purpose of determining subscription and redemption prices of Fund Units and the calculation of applicable fees, may not be in accordance with generally accepted accounting principles.

Nature of the Fund Units

The Fund Units are neither fixed income nor equity securities. Fund Units are dissimilar to debt instruments in that there is no principal amount owing to Fund Unitholders. Fund Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

Fund Unitholders not entitled to Participate in Management

Fund Unitholders are not entitled to participate in the management or control of the Fund or its operations. Fund Unitholders do not have any input into the Fund's investment objectives, strategies and restrictions. The success or

failure of the Fund will ultimately depend on the investment of the assets of the Fund by the Manager, with which Fund Unitholders will not have any direct dealings.

Market Risk

General market risk is the risk that investments made by the Fund may go up or down in value and in some cases, abruptly. All investments are subject to general market risk which in turn is driven by macro-economic factors, interest rate changes, political/governmental influence, natural disasters and other shocks events that may affect the securities marketplace in general. However, the Manager believes that its investment strategies moderate this risk through careful selection of controlled investment techniques. The Manager's investment strategies may, however, utilize investment techniques and instruments such as futures and options transactions, margin transactions and short sales which practices can, in certain circumstances, increase losses.

Liquidity Risk

Some of the securities in which the Fund may invest may be thinly traded or have no trading market and/or be restricted as to their transferability. Restricted securities have contractual or legal restrictions applicable to a subscriber's ability to resell them, including "private placement" securities that the Fund may buy directly from an issuer. It is possible that the Fund may not be able to sell or repurchase such positions in unfavourable markets without having an adverse effect on the Fund, and/or the ability of the Fund to effect redemptions of Fund Units.

Marketability of Units

There is currently no market through which the Fund Units may be sold nor is one expected to develop. Redemptions are permitted only as described herein and there are circumstances in which a Fund may suspend redemptions. Accordingly, Fund Units may not be appropriate for subscribers seeking greater liquidity. Also, Fund Units are only transferable in limited circumstances with the approval of the Manager.

Ownership Concentration Risk

It is possible that Fund Units may be held in significant amounts in relation to the size of the Fund by a small number of Fund Unitholders. In the event any such Fund Unitholder makes a redemption request, the Fund may be required to sell its investments at prevailing market prices at a time when the Manager would not ordinarily do so. As well, such a sale may further depress the prevailing price for the investments being sold in the market, further contributing to the adverse effect such action will have on the value of the investments held by the Fund.

Operating History

The Fund does not have a long operating history upon which a subscriber can base a prediction of future performance.

Short Selling

The Manager may, from time to time, appoint or retain one or more investment management firms (each, a "Sub-Advisor") to undertake all or a portion of the investment advisory and portfolio management services with respect to the assets or portfolio of the Fund.

Either directly or as part of an investment program being undertaken by a Sub-Advisor, the Fund may engage in the short selling of a security. While generally undertaken as part of a broader hedging strategy, there are risks associated with short selling. Selling a security short involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. Should the security increase in value during the shorting period, losses will be incurred by the Fund. There is in theory no upper limit as to how high the price of a security may go which therefore exposes the portfolio to a theoretically unlimited risk of loss. There may be investors and investment managers pursuing short selling strategies

who are seeking to borrow the same securities. Therefore, it may not be possible at times for the Fund to borrow the particular securities it wishes to sell short. Another risk involved in shorting is the loss of a borrow; a situation where the lender of the security requests its return. In cases like this, the Fund must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Fund may have to purchase securities in the open market at a disadvantageous time in order to cover the short sale, possibly at prices significantly in excess of the proceeds received in originally selling the securities short, potentially resulting in substantial losses.

Derivatives Risk

Derivatives for hedging and other investment purposes will be used by the Fund only to the extent that the Manager considers appropriate to help achieve the fundamental investment objective of the Fund which trades derivatives. Hedging involves special risks including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. The use of currency hedging could result in the Fund incurring losses as a result of the imposition of exchange controls, suspension of settlements, or the inability to deliver or receipt a specified currency.

Hedging against changes in the value of currency does not eliminate fluctuations in the prices of portfolio securities and does not prevent losses if the prices of such securities decline. Hedging may also limit the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for the Fund to enter into transactions which hedge against generally anticipated changes in currencies.

The use of options entails certain special risks. Call options will not protect the Fund from declines in the value of the underlying security and may limit the Fund's potential to realize a gain on the value of the underlying security. The Funds may also forego potential returns resulting from any price appreciation of the security underlying the option above the exercise price in favour of the certainty of receiving the option premium. Purchasing call options may expose the Fund to losses if the value of the underlying security has decreased when compared to the transaction price at which the Fund must purchase the security. Selling put options may expose the Fund to losses if the value of the underlying security has decreased when compared to the transaction price that the Fund must purchase the security. Purchasing put options on securities exposes the Fund to losses if the value of the underlying security has increased in value when compared to the transaction price at which the Fund may sell the security. Options markets could be illiquid in some circumstances and certain over-the-counter options could have no markets. There can be no assurance that a market will exist to permit the Fund to realize their profits or limit their losses by closing out certain positions. If the Fund is unable to close out a position, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires or the forward contract terminates, as the case may be. The ability of the Fund to close out a position may be affected by exchange imposed daily trading limits on options. The change in volatility of an option may change the value associated with the option and the proceeds that the Fund may receive from the sale of that option.

Smaller Capitalization Companies

The Fund may invest in the equity securities of smaller and less well-established companies. The earnings and share prices of such companies tend to be more volatile and the markets for the shares tend to be less liquid, with resulting higher risk of loss, when compared to investments in larger and more established companies.

Interest Rate Risk

The value of fixed income securities, including interest-paying securities, will generally rise if interest rates fall and, conversely, will generally fall if interest rates rise.

Currency Risk

The Fund invests primarily in securities denominated in Canadian or U.S. dollars. Changes in foreign currency exchange rates will affect the value of these securities as well as any revenue stream derived from the investments regardless of whether or not the price of the securities or the revenue streams are changing in terms of the investments' local currency. The Manager may or may not hedge against currency risk.

Credit Risk

The Fund may invest in loans, mortgages and bonds. As a part of its investment strategy, the Fund may invest in lower-rated or unrated bonds. There is a risk that the borrower may not be able to pay interest or principal when due. This is known as credit risk. The level of credit risk is dependent on a number of factors including the credit worthiness of the borrower and the terms and conditions of the bond, loan or mortgage including the priority of the debt, security held (if any) and other terms and conditions. As well, the prices of lower rated bonds may be more sensitive to the changing fortunes of the issuers and the economy in general, and therefore may be more volatile than more highly rated bonds. For the same reasons, it may be difficult or impossible to sell lower rated bonds.

Equity Risk

The value of equity securities will rise and fall with the changing financial health of their issuers. The value of equity securities is also affected by the general health of the overall economy in the region or regions where the issuers operate. Market sentiment may also negatively affect the value of equities issued by otherwise healthy issuers. The Fund may select equity securities that underperform the market or underperform relative to competing investment choices.

Foreign Markets Risk

While securities issued in foreign countries may provide significant diversification benefits over a portfolio solely concentrated in Canada and while they may be relatively uncorrelated to Canadian securities, they involve risks not found in domestic investments. The value of foreign investments may fluctuate because of issues unique to the countries in question. These issues may include regional economic influences, and foreign government actions including taxation, nationalization, creation of trade barriers, income repatriation limits, foreign exchange limitations, diplomatic problems and other things that could affect the value of foreign investments.

Index Risk

From time to time, some investments made by the Fund may be more passive in nature and designed to track a particular index, such as a stock or bond index. The objective in these cases would be for the investment to track the value of the underlying index. However, this may not always be possible since the investments used to track a given index may not be able to hold the same securities and hold them in the same proportion as the index. Therefore, the performance of an index investment may deviate from the underlying index it is designed to track.

Lower-Rated Bond Risk

The Fund may invest in lower-rated or unrated bonds as part of its investment strategy. Such bonds have a higher risk of default than do more highly rated bonds. Consequently, the issuers of these bonds may not be able to pay interest and/or principal when required. As well, the prices of lower rated bonds may be more sensitive to the changing fortunes of the issuers and the economy in general, and therefore may be more volatile than more highly rated bonds. For the same reasons, it may be difficult or impossible to sell lower rated bonds.

Concentration Risk

Concentration risk is the possibility that the Fund will concentrate its portfolio in a small number of securities, or in issuers from a specific industry. For example, the Fund may own more than a 10% interest in any security or series of securities from an individual issuer. By investing in a few securities or one industry sector, the value of the Fund's portfolio may react significantly to changes in the market value of individual securities or to market forces that

uniquely affect that industry and may, as a result, be exposed to more volatility. Because of the limited number of holdings in the Fund, concentration risk should be considered higher than that in a traditional fund.

Securities Lending, Repurchase and Reverse Repurchase Risk

Occasionally, the Fund (either directly or through a Sub-Advisor) may enter into a securities lending transaction, repurchase or reverse repurchase agreement in order to enhance investment returns. There are risks unique to these kinds of agreements. For example, a counter party may default when the Fund has loaned securities through a securities lending arrangement, or sold securities under a repurchase agreement resulting in a loss in the event the value of the securities involved have increased. Similarly, if a counter party defaults on its obligation to repurchase securities sold to the Fund through a reverse repurchase agreement when the value of the securities has declined, the Fund will suffer a loss, which could be as high as the entire amount at risk.

Losses and Effects of Substantial Redemptions

The Fund may at any time incur losses, resulting in substantial redemptions by Fund Unitholders. Substantial redemptions of Fund Units could require a Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. There is a risk that if a Fund's assets become depleted, the Fund's portfolio could become sufficiently restricted to make it difficult to achieve the Fund's fundamental investment objectives. Such factors could adversely affect the value of the Fund Units redeemed and of the Fund Units remaining outstanding.

Lack of Insurance

The assets of the Fund are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by a government agency such as the Canada Deposit Insurance Corporation or with brokers insured by the Canadian Investor Protection Fund and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Fund may be unable to recover all of its funds or the value of its securities so deposited.

Changes in Investment Strategy

The Manager may change the Fund's investment strategies and restrictions, without prior approval of Fund Unitholders, to adapt to changing circumstances and to help achieve the Fund's fundamental investment objective; however, a change to the Fund's fundamental investment objective itself requires prior Fund Unitholder approval.

Unitholders Not Entitled to Participate in Management and Liability of Unitholders

The Manager acts as manager of the Fund. Fund Unitholders as such may not participate in the management or control of the Funds. The Trust Agreement provides, however, that certain actions may be taken but only if approved by majority vote of the Fund Unitholders. The Trust Agreement provides that no Fund Unitholder will be subject to any personal liability for satisfaction of any obligation in respect of or a claim arising out of or in connection with any contract or obligation of the Fund. The Trust Agreement also provides that the Trustee must indemnify and hold each Fund Unitholder harmless out of the assets of the Fund from and against any and all claims and liabilities to which such Fund Unitholder may become subject, by reason of being or having been a Fund Unitholder and must reimburse such Fund Unitholder for all legal and other expenses reasonably incurred in connection with any such claim or liability. Despite the foregoing, there can be no absolute certainty that a claim will not be made against a Fund Unitholder for liabilities which cannot be satisfied out of the assets of the Fund. The law relating to investment trusts such as the Fund is not certain. Consequently, there is a remote risk that a Fund Unitholder could be held personally liable notwithstanding the foregoing statement in the Trust Agreement, for obligations of the Fund (to the extent that claims are not satisfied by the assets of the Fund). The risk to Fund Unitholders is based on jurisprudence which has held that beneficiaries of a business trust who are given rights to exert control over the assets of the fund will be considered to be acting as principals through the trustee as their agent.

Specific Issuer Risk

The value of all securities will vary positively or negatively with developments within the specific companies or governments that issue the securities. Changes in the value of the business of the specific issuer may affect the value of the Fund. The price of a security is influenced by larger economic conditions, the market and by the specific outlook for the issuer.

Reliance on the Manager

The Fund will be relying on the knowledge and expertise of the Manager. The Manager will make the actual investment decisions upon which the success of the Fund will depend significantly. No assurance can be given that the investment approaches utilized by the Manager will prove successful. There can be no assurance that satisfactory replacements for the Manager will be available, if the Manager ceases to act as such. Termination of the Manager will expose investors to the risks involved in whatever new investment management arrangements can be made.

Dependence of Manager on Key Personnel

The Manager will depend, to a great extent, on the services of a limited number of individuals in the administration of the Fund's activities. The loss of such individuals for any reason could impair the ability of the Manager to perform its management activities on behalf of the Fund.

Connected and Related Issuers

The Manager is registered as a dealer and an adviser with securities regulatory authorities and regulators in Alberta, British Columbia, Nova Scotia, Ontario, Québec, and Saskatchewan. Those securities regulatory authorities and regulators, among others, have expressed concerns that, when a registered dealer trades in, or a registered adviser that advises on, securities of an issuer to which it is "connected" or "related", conflicts of interest may arise. As a result, a registered dealer that trades in, and a registered adviser that advises on, securities of an issuer to which it is "connected" or "related" is required to do so only in accordance with applicable securities law.

The Fund may be considered a "connected" issuer to the Manager when it sells Fund Units on behalf of the Fund.

Tax Liability

The Fund is not required to distribute its income in cash. If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year (including any deemed income under section 94.1 of the Tax Act), such income will be distributed to Fund Unitholders in accordance with the provisions of the Trust Agreement by reinvestment in additional Fund Units. Fund Unitholders will be required to include all such distributions in computing their income for tax purposes, even if that cash may not have been distributed to such Fund Unitholders. Cash distributions to a particular Fund Unitholder may not correspond to the economic gains and losses which such Fund Unitholder may experience.

Potential Indemnification Obligations

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of the Trustee, the Manager and other service providers. The Trust may not carry any insurance to cover such potential obligations and, to the Manager's knowledge, none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. Any indemnification paid by the Fund would reduce the Net Asset Value of the Fund and, by extension, the value of the Fund Units.

Class Risk

Since the Fund has multiple Classes, each Class will be charged expenses that are specifically attributable to such Class. The Manager will generally allocate all other expenses of the Fund among the Classes in such manner as the Manager

considers appropriate and equitable. However, if the Fund cannot pay the expenses of one Class using its proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other Class' proportionate share of the Fund's assets which could lower the investment returns of the other Classes.

Liability of Fund Unitholders

The Fund is a unit Fund and, as such, the Fund Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. The Trust Agreement provides that no Fund Unitholder shall be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the investment obligations, affairs or assets of the Fund and all such persons shall look solely to the Fund's assets for satisfaction of claims of any nature arising out of or in connection therewith. There is a risk, which is considered by the Promoter and the Manager to be remote in the circumstances, that a Fund Unitholder could be held personally liable, notwithstanding the foregoing statement in the Trust Agreement, for obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the operations of the Fund will be conducted in such manner so as to minimize such risk. In the event that a Fund Unitholder should be required to satisfy any obligation of the Fund, such Fund Unitholder will be entitled to reimbursement from any available assets of the Fund. However, there is no assurance that the assets of the Fund will be sufficient to meet any indemnification obligations.

Lack of Independent Experts Representing Fund Unitholders

Each of the Fund, the Promoter and the Manager have consulted with legal counsel regarding the formation and terms of the Fund and the offering of Fund Units. Fund Unitholders have not, however, been independently represented. Therefore, to the extent that the Fund, Fund Unitholders or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Fund Units and the suitability of investing in the Fund.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes to laws or administrative practice could adversely affect the Fund. Interpretation of law or administrative practice may affect the characterization of the Fund's earnings as capital gains or income, which may increase the level of tax borne by the investor as a result of increased taxable distributions from the Fund.

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into by Canada and the U.S. (the "IGA") and related Canadian legislation found in Part XVIII of the Tax Act, Fund Unitholders will be required to provide their dealer with information related to their citizenship or residence for tax purposes and, if applicable, a U.S. federal tax identification number, or in the case of certain entities with such information relating to their controlling persons. If a Fund Unitholder is identified as, or in the case of certain entities as having one or more controlling persons who is, a "Specified U.S. Person", as defined under the IGA (including U.S. citizens who are residents of Canada), or if the Unitholder fails to provide the required information and indicia of U.S. status is present, certain account information and other personal identifying details of the Fund Unitholder (and, if applicable, of such controlling persons) will generally be reported to the CRA, unless the investment is held within a Deferred Plan. The CRA will then provide the information to the IRS.

In addition, pursuant to Part XIX of the Tax Act implementing the Organization for Economic Co-operation and Development Common Reporting Standard (the "CRS Rules"), Canadian financial institutions are required to have procedures in place to identify accounts held by tax residents of foreign countries other than the U.S. ("Reportable Jurisdictions") or by certain entities any of whose "controlling persons" are tax residents of Reportable Jurisdictions. The CRS Rules provide that Canadian financial institutions must report required information to the CRA annually. Such information will be available to be exchanged by the CRA on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are tax resident under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, Fund Unitholders of the Fund will be required to provide required information regarding their

investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Deferred Plan.

If the Fund fails to meet its obligations under Part XVIII and/or Part XIX of the Tax Act, as the case may be, it may be subject to the offences and punishment of the Tax Act. In addition, the administrative costs of compliance with FATCA and CRS may also cause an increase in the operating expenses of the Fund, further reducing returns to Fund Unitholders. Fund Unitholders should consult their own tax advisors regarding the possible implications of this legislation on them and their investments.

Early Termination

In the event of the early termination of the Fund, the Fund would distribute to the Fund Unitholders *pro rata*, with the other Fund Unitholders, their interest in the assets of the Fund available for such distribution, subject to the rights of the Manager to retain monies for costs and expenses. Certain assets held by the Fund may be illiquid and might have little or no marketable value. In addition, the assets held by the Fund would have to be sold by the Fund or distributed in kind to the Fund Unitholders. It is possible that at the time of such sale or distribution certain securities held by the Fund would be worth less than the initial cost of such assets, resulting in a loss to the Fund Unitholders.

Borrowing

The Fund does not expect to utilize borrowing to pay expenses or fund redemptions. However, the Fund may borrow in accordance with the terms of the Trust Agreement. If the Fund were to do so, such borrowing may increase the risk that actual returns may be lower than targeted and that losses of capital may occur. The amount borrowed may cause a decrease in the Net Asset Value of the Fund in excess of that which would be experienced if there were no borrowed amount owed by the Fund. If borrowing does take place and the overdraft facility is called by the lender, the Fund may be required to liquidate assets to repay the indebtedness sooner than it may otherwise have chosen to do so. The Fund will pay, and the Fund Unitholders will bear, any costs and expenses associated with any leverage. Any decline in the Fund's assets and ultimately the Net Asset Value of the Fund will be borne entirely by the Fund Unitholders.

General Economic and Market Conditions

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

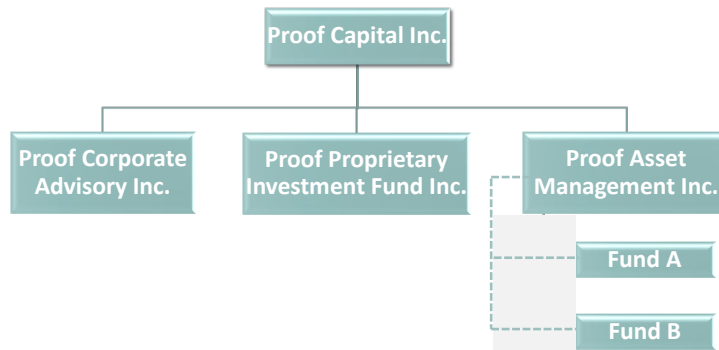
ITEM 10 CONFLICTS OF INTEREST

10.1 General Comments on How Conflicts of Interests Are Addressed

The Fund is subject to several existing and potential conflicts of interest as described in further detail below. Each of Proof Capital Inc., its subsidiaries, the Fund, and the Manager emphasize integrity when dealing with investors and will deal fairly, honestly and in good faith with all investors and will address all conflicts in the best interest of investors in the Fund.

Structure and Description of Proof's Wholly Owned Subsidiaries

Proof has the following three wholly owned subsidiaries: Proof Corporate Advisory Inc. ("**Proof Advisory**"), Proof Proprietary Investment Fund Inc. ("**PROP Fund**"), and Proof Asset Management Inc. ("**PAM**"). Transactions between these subsidiaries and with Proof have not been, and cannot be, negotiated at arm's length.



The goal of Proof's corporate structure is to address conflicts with respect to inter-corporate transactions by aligning interests between Proof, its subsidiaries and the Fund. The Board of Directors of Proof believe this alignment is supported by the following four tenets:

- By virtue of the internal sourcing and structuring of its own private investment opportunities by Proof's subsidiary, Proof Corporate Advisory Inc., the Fund may be able to access high quality investment opportunities that may be less volatile than those in the public markets (in which the Manager may or may not invest);
- By investing along-side investors in the Fund through Proof Proprietary Investment Fund Inc., Proof demonstrates both confidence in the quality of its investments and willingness to accept the same risks as investors in the Fund;
- By the directors of Proof accepting directorships in certain of the entities in which it has structured its investments, Proof maintains access to information to support Fund investment decisions; and
- By using the PROP Fund as a venture capital incubator, Proof nurtures a potential source of quality future investment opportunities for the Fund.

Proof Advisory may earn advisory and/or origination fees from performing due diligence and structuring securities in which the Manager may or may not direct the Fund to invest. No such fees will be payable by the Fund and no portion of such fees will be payable to the Manager. The PROP Fund may invest in parallel with the Fund or it may invest in opportunities in which the Fund either cannot or chooses not to invest, all as further discussed below. Any related situations that result in a potential conflict of interest shall be referred to the Conflict Advisory Board (see below).

Conflict Advisory Board

Proof has established a conflict advisory board ("**Conflict Advisory Board**") whose mandate is to provide recommendations and advice to Proof, Proof Corporate Advisory Inc. ("**Proof Advisory**"), Proof Proprietary Investment Fund Inc. ("**PROP Fund**"), Proof Asset Management Inc. ("**PAM**"), Qwest Investment Fund Management Ltd. (the "**Manager**"), the Fund and all proprietary Proof funds, to address existing or potential conflicts of interest in the best interests of the investors of the particular fund and in compliance with all applicable laws and best practices. The Conflict Advisory Board members shall be appointed by Proof's Board of Directors and will include qualified individuals. The identities of the members of the Conflict Advisory Board at any given time shall be publicly disclosed on Proof's website (www.proofcapital.ca).

10.2 Specific Conflicts and How They Will Be Addressed

The Manager

The Manager is a registered Exempt Market Dealer, an Investment Fund Manager, and a Portfolio Manager. The Fund may invest in securities of Underlying Funds for which the Manager is the manager and/or portfolio manager in accordance with applicable securities laws and with any regulatory orders it has obtained. As a result, there are

potential conflicts of interest that could arise in connection with the Manager acting in its capacities as Exempt Market Dealer, Investment Fund Manager, and Portfolio Manager and as the manager and/or portfolio manager of both the Fund and the Underlying Funds. In order to address this conflict, the Manager has adopted a conflict of interest policy to address and minimize those potential conflicts of interest. The policy states that the Manager will deal fairly, honestly and in good faith with all clients (including the Funds and any Underlying Funds) and not advantage one client over another.

Services not Exclusive to the Fund

The Manager and its partners, directors, and officers as well as their respective employees, agents and associates who have access to, or participate in formulating and making decisions on behalf of the Fund or advice to be given to the Fund (each, an “**Access Person**” and collectively the “**Access Persons**”) are also engaged in a variety of management, advisory, and other portfolio management and financial planning activities which may or may not involve an investment in the Fund.

The Services of the Access Persons are not exclusive to the Fund. Such examples include, but are not limited to:

- An Advising Representative (Portfolio Manager) of the Manager is also the Chief Investment Officer of the Promoter.
- The Manager may, at any time, engage in the promotion, management or portfolio management of any other fund or trust (including any Underlying Funds) and provide similar services to other investment funds and other clients and engage in other activities.

Access Persons will, therefore, have conflicts of interest in allocating management time, services and functions among the Fund and such other persons for which it provides services (including any Underlying Funds). In order to address this conflict, all Access Persons will devote as much of their respective time and resources to the activities of the Fund as in their respective judgment is reasonably required and will ensure a fair and equitable allocation of its management time, services and functions between the Fund and any other such persons to whom it provides services.

Proof Corporate Advisory Inc.

Proof Advisory clients may include both public and private entities (“**Advisory Clients**”), some of which the Fund may decide to invest in. Proof Advisory analyzes the risks and opportunities of Advisory Clients, develops structures and terms for potential financing solutions, develops strategic alternatives, and recommends and introduces potential capital providers. The PROP Fund and the Fund are potential funding sources for Advisory Clients, and either may, from time to time and as deemed appropriate, invest solely or with other investors in these opportunities. A potential conflict of interest may arise when the Fund invests in the securities of any entity to which Proof Advisory is also providing advisory services and earning an advisory and/or origination fee from the Advisory Client. To address the potential fee conflict caused by Proof Advisory receiving fees related to the Fund’s investments, Proof Advisory shall seek to align its interests with the interests of investors by ensuring that unless otherwise agreed to by the Conflict Advisory Board, the amount of fees it receives shall be consistent with industry practices. Further, unless otherwise agreed by the Conflict Advisory Board, Proof Advisory shall receive such fees in one of the following three manners:

- Payment of least 50% of advisory and origination fees shall be received “in kind” in securities of the issuer, which securities will be subject to a minimum one (1) year holding period;
- Advisory and origination fees shall be received in the form of a carried interest that is earned after the Fund receives an aggregate amount of dividends, distributions or return of capital equal to at least a 100% of invested capital; or
- Advisory or origination fees may only be received 100% in cash if either: (i) the cash fee is not more than 1.0% of aggregate capital raised for the Advisory Client; or (ii) Proof Advisory enters into an agreement with the Advisory Client that in the event the investment is liquidated and the Fund has

not received an aggregate amount of dividends, distributions or return of capital equal to at least 100% of invested capital, all fees paid to Proof Advisory by the Advisory Client shall be advanced by Proof Advisory on behalf of the Advisory Client to the Fund as a return of invested capital.

If Proof Advisory receives fees in any way other than the above three manners prior to a Conflict Advisory Board decision with respect to the same, all such fees shall be held either in escrow until the Conflict Advisory Board has had the opportunity to review the potential conflict:

- If/when the Conflict Advisory Board is satisfied that the potential conflict has been adequately addressed, the fees shall be released to Proof Advisory; or
- However, if/when the Conflict Advisory Board concludes that the potential conflict of interest CANNOT be adequately addressed in the best interest of investors in the fund, the fees being held in escrow are to be returned to the Advisory Client (rather than advanced to Proof Advisory).

Proof Advisory shall promptly notify the Conflict Advisory Board of any such situations. Proof Advisory shall also provide the Conflict Advisory Board with sufficient information to provide considered advice on the matter, and give full and sufficient consideration to the Conflict Advisory Board's recommendations where a potential conflict of interest exists, taking care to adopt recommendations the Conflict Advisory Board believes are sufficient to ensure the conflict has been adequately addressed in the best interests of investors of the Fund. Proof Advisory shall not accept advisory or origination fees in a manner different than the three methods described above without the approval of the Conflict Advisory Board.

Directorships

A potential conflict of interest may arise when an individual Access Person accepts a directorship in an entity in which the Fund has invested or in which the Manager is considering an investment. This is a potential conflict of interest because the individual Access Person's fiduciary duty as a director to the 3rd party entity could potentially come into conflict with its fiduciary duty to the Fund.

The individual Access Person shall promptly notify the Conflict Advisory Board of such directorships and shall also provide the Conflict Advisory Board with sufficient information to provide considered advice on any such matter, and give full and sufficient consideration to the Conflict Advisory Board's recommendations where a potential conflict of interest exists, taking care to adopt recommendations the Conflict Advisory Board believes are sufficient to ensure the conflict has been adequately addressed in the best interests of investors in the Fund. If the conflict cannot be adequately addressed by any other means, then the individual Access Person shall recuse themselves from the directorship.

With respect to Directorship disclosure, the Manager shall comply with the *Disclosure to Clients* requirements set out in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, as may be amended from time to time. In addition, Proof will post and maintain on its website (www.proofcapital.ca) a list of all the directorships of Access Persons.

Parallel Investments of Access Persons

A potential conflict of interest may arise when Access Persons make a parallel investment alongside the Fund if the allotment of such investments is not equitably distributed. To address this potential conflict, when the Fund and one or more Access Persons are engaged in the purchase or sale of the same security, such parallel investments shall be allocated and disposed of in a fair and equitable basis (and with full consideration to the advice of the Conflict Advisory Board). The Manager's investment decisions for the Fund shall be made in the best interests of investors of the Fund.

Allocation of Investment Opportunities Amongst the Manager's Clients

The Manager may make an investment in the Fund and/or for one or more of its clients. If one or more of the clients of the Manager are engaged in the purchase or sale of the same security, the transactions will generally be effected

on an equitable basis. However, the Manager may determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. The Manager may also occasionally determine it to be necessary to allocate limited investment opportunities among the managed accounts under its responsibility, on a basis deemed appropriate by the Manager.

Self-Dealing

A potential conflict of interest could develop any time the Fund purchases a security from, or sells a security to, the PROP Fund or its officers or directors (the “**Self-Dealing Parties**”).

The Fund shall not be permitted to make an investment in an issuer in which any officer or director of the Fund, Proof, the PROP Fund, or the Manager beneficially owns, either directly or indirectly, more than 10% of the outstanding shares or units of the issuer, or if all officers and directors of the aforementioned entities combined beneficially own, either directly or indirectly, more than 50% of the outstanding shares or units of the issuer.

To address this potential conflict of interest, trades between the Fund and a Self-Dealing Party will only be permitted if the trading price is established to be at fair market value that is validated by a third party transaction (including a coincident equity financing by the issuer). In addition, no permitted trade between the Fund and a Self-Dealing Party shall proceed without first addressing the potential trade with the Conflict Advisory Board. The Fund and the applicable Self-Dealing Party will provide the Conflict Advisory Board with sufficient information to allow the Conflict Advisory Board to advise on any such matter. The Fund and the Self-Dealing Party will give full and sufficient consideration to the Conflict Advisory Board’s recommendations on potential investments where a potential conflict of interest exists, taking care to adopt recommendations the Conflict Advisory Board believes are sufficient to ensure the conflict has been adequately addressed in the best interests of investors in the Fund. If the conflict cannot be adequately addressed, then the trade will not be permitted.

With respect to Self-Dealing disclosure, the Manager shall comply with the *Disclosure to Clients* requirements set out in National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, as may be amended from time to time. In addition, Proof will post and maintain a list of all the holdings of the PROP Fund on its website (www.proofcapital.ca).

Proprietary Products

A potential conflict of interest could be created if both Proof proprietary products and non-proprietary products are sold to investors, and if the proprietary products have higher sales commissions attached to them than the non-proprietary products. To address the potential conflict, Proof has adopted a conflict of interest policy which provides that the same sales commissions shall be attached to all Proof products sold to investors, regardless of whether or not the products are proprietary or non-proprietary. In addition, the name of Proof’s firm and the name of its proprietary investment products shall intentionally be made sufficiently similar such that further disclosure is not necessary to affirm which of Proof’s funds are proprietary.

Separation of Advisory Functions

Units of a fund may be sold by individuals registered as a dealing representatives. In the context of a proprietary fund, there is a conflict of interest between the dealing representative sales function and the advising representative advisory function. Therefore, at all times there shall be a separation of the sales and advisory functions of a fund such that the individual or individuals advising a fund shall not act as a dealing representative with respect to sales of the fund’s units.

10.3 Connected and Related Issuers

The Manager is registered as a dealer and an adviser with securities regulatory authorities and regulators in Alberta, British Columbia, Nova Scotia, Ontario, Québec, and Saskatchewan. Those securities regulatory authorities and

regulators, among others, have expressed concerns that, when a registered dealer trades in, or a registered adviser that advises on, securities of an issuer to which it is “connected” or “related”, conflicts of interest may arise. As a result, Canadian securities laws require registered securities dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are “connected” or “related”, 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 clients, to inform them of the relevant relationships and connections with the issuer of the securities.

The Fund may be considered a “related” or “connected” issuer to the Manager when it sells Fund Units on behalf of the Fund.

ITEM 11 REPORTING OBLIGATIONS

The Manager shall provide to Fund Unitholders such financial statements and other reports as are from time to time required by applicable securities laws.

The Net Asset Value per Fund Unit of each Fund Unitholder’s Fund Units and of the Fund will be made available on a monthly basis.

The Manager shall send, or cause to be sent, to all Fund Unitholders information required by law for income tax purposes within the time prescribed by law.

The Fund is not a “reporting issuer” or equivalent under the securities legislation of any jurisdiction. Accordingly, the Fund is not subject to the continuous disclosure requirements of any securities legislation and there is therefore no requirement that the Fund make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Fund.

ITEM 12 RESALE RESTRICTIONS

12.1 Resale Restriction

Fund Units 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 Fund Units unless you comply with an exemption from the prospectus requirements under applicable securities legislation.

12.2 Restricted Period

Unless permitted under securities legislation, you cannot trade the Fund Units before the date that is four months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada. As the Fund is not currently a reporting issuer in any province or territory of Canada, and does not contemplate becoming a reporting issuer, the statutory hold period could be indefinite.

12.3 Manitoba Resale Restrictions

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

- (a) the Fund has filed a prospectus with the regulator in Manitoba with respect to the Fund Units and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Fund Units 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.

ITEM 13 PURCHASERS' RIGHTS

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

13.1 Two Day Cancellation Right for a Subscriber

You can cancel your agreement to purchase the Fund Units. To do so, you must send a notice to the Fund before midnight on the second Business Day after you sign the Subscription Agreement in respect of the Fund Units.

13.2 Statutory Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the selling jurisdictions provide prospective investors with a remedy to sue to cancel your agreement to buy these securities or for damages against the Fund if this Offering Memorandum, or any amendment thereto, contains a Misrepresentation.

These remedies are available to you whether or not you relied on the Misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the Misrepresentation when you purchased the securities. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below and will be embodied in the Subscription Agreement to be executed and delivered by you to the Fund prior to the issuance of the Fund Units. By its execution of the Subscription Agreement, the Fund will be deemed to have granted these rights to you. Prospective investors should refer to the applicable securities laws of their respective selling jurisdiction for the particulars of these rights or consult with professional advisors.

The summary below is not a complete description of such right or the limitations applicable thereto and reference should be made to the securities law of the jurisdiction where the prospective investor is resident for the complete text of such right. Such law is subject to varying interpretation. Prospective investors should obtain legal advice to determine any rights that are available to the prospective investor, including in relation to the rights referred to below.

The rights discussed below are in addition to and without derogation from any other rights or remedies, which prospective investors may have at law.

13.3 British Columbia, Alberta and Québec

A prospective investor of Fund Units pursuant to this Offering Memorandum who is a resident in British Columbia, Alberta and Quebec has, in addition to any other rights the prospective investor may have at law, a right of action for damages or rescission against the Fund if this Offering Memorandum, together with any amendments hereto, contains a Misrepresentation. A prospective investor has additional statutory rights of action for damages against every person who signed this Offering Memorandum.

If this Offering Memorandum contains a Misrepresentation, which was a Misrepresentation at the time the Fund Units were purchased, the prospective investor will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against the Fund for damages or alternatively, while still the owner of any of the Fund Units purchased by that prospective investor, for rescission, in which case, if the prospective investor elects to exercise the right of rescission, the prospective investor will have no right of action for damages against the Fund, provided that:

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

- (b) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation ;
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were purchased by the Subscriber under this Offering Memorandum; and
- (d) in the case of a prospective investor resident in Alberta, no person, other than the Fund, will be liable if such person is entitled to rely upon certain statutory provisions set out in subsections 204(3)(a) – (e) of the *Securities Act* (Alberta).

No action may be commenced:

- (a) 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
- (b) in the case of any other action, other than an action for rescission, more than the earlier of (i) 180 days after the prospective investor first had knowledge of the facts giving rise to the cause of action; or (ii) three (3) years after the date of the transaction that gave rise to the cause of action.

13.4 Saskatchewan

The Securities Act, 1988 (Saskatchewan) (the “**Saskatchewan Act**”) provides, subject to certain limitations, that if this Offering Memorandum or any amendment thereto sent or delivered to a prospective investor contains a Misrepresentation (as defined in the Saskatchewan Act), a Subscriber who purchases Fund Units pursuant to this Offering Memorandum or an amendment thereto has, without regard to whether the prospective investor relied on the Misrepresentation , a right of action for damages against:

- (a) the Fund;
- (b) every promoter of the Fund at the time this Offering Memorandum or any amendment thereto was sent or delivered;
- (c) every person whose consent has been filed with this Offering Memorandum or an amendment thereto but only with respect to reports, opinions or statements that have been made by them;
- (d) every person that signed this Offering Memorandum or any amendment thereto; and
- (e) every person that sells Fund Units on behalf of the Fund under this Offering Memorandum or any amendment thereto.

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, it shall 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, other than the Issuer or a selling security holder, will be liable for any part of this 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 failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation ;

- (d) in no case shall the amount recoverable exceed the price at which Fund Units were offered; and
- (e) no person is liable in an action for rescission or damages if that person proves that the prospective investor purchased the Fund Units with knowledge of the Misrepresentation.

Similar rights of action for damages and rescission are provided in the Saskatchewan Act also provides that, subject to certain limitations, where any advertising or sales literature (as defined in the Saskatchewan Act) disseminated in connection with the Offering of Fund Units contains a Misrepresentation, a prospective investor who purchases Fund Units referred to in that advertising or sales literature, is deemed to have relied on that Misrepresentation if it was a Misrepresentation at the time of purchase and has a right of action against the Issuer, every promoter of the Issuer at the time the advertising or sales literature was disseminated, and every person who, at the time the advertising or sales literature was disseminated, sells Fund Units on behalf of the Issuer in the Offering with respect to which the advertising or sales literature was disseminated.

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

No action to enforce the foregoing rights may be commenced:

- (a) 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
- (b) in the case of any action, other than an action for rescission, more than 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.

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 such Saskatchewan Act, the regulations to such 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 Section 80.1 of the Saskatchewan Act.

The Saskatchewan Act also provides that a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person 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.

13.5 Manitoba

In the event that this Offering Memorandum (including any amendment hereto) delivered to a purchaser of Fund Units resident in Manitoba, contains a Misrepresentation and it is a Misrepresentation at the time of purchase, the purchaser shall be deemed to have relied upon the Misrepresentation and shall have, in addition to any other rights they may have at law: (a) a right of action for damages against (i) the Fund, (ii) every director of the Fund at the date of this Offering Memorandum (collectively, the “**Directors**”), and (iii) every person who signed this Offering Memorandum (collectively, the “**Signatories**”); and (b) a right of rescission against the Fund.

A purchaser may elect to exercise a right of rescission against the Fund, in which case the purchaser will have no right of action for damages against the Fund, Directors or Signatories.

The Fund, the Directors and Signatories will not be liable if they prove that the purchaser purchased Fund Units with knowledge of the Misrepresentation.

In an action for damages, the Fund, the Directors and Signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation relied upon. The amount recoverable under the right of action shall not exceed the price at which the Fund Units were offered for sale.

A purchaser of Fund Units to whom this Offering Memorandum was not delivered prior to such purchase in circumstances where such Offering Memorandum was required to be delivered has a right of rescission or a right of action for damages against the Fund or any dealer who failed to deliver the Offering Memorandum within the prescribed time.

A purchaser of Fund Units to whom the Offering Memorandum is required to be sent may rescind the contract to purchase the Fund Units by sending a written notice of rescission to the Fund not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the Fund Units.

Unless otherwise provided under applicable securities legislation, no action shall be commenced to enforce a right of action unless the right is exercised:

- (a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of an action, other than an action for rescission, the earlier of (i) 180 days from the day the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) two (2) years from the day of the transaction that gave rise to the cause of action.

13.6 Ontario

In accordance with the *Securities Act* (Ontario) (the “**Ontario Act**”), if this Offering Memorandum contains a Misrepresentation (as defined in the Ontario Act), a prospective investor who purchases Fund Units offered by this Offering Memorandum is deemed to have relied on the representation if it was a Misrepresentation at the time of purchase, and the prospective investor has: (a) a right of action for damages against the Issuer and every person or company who signed this Offering Memorandum; or (b) a right of rescission against the Issuer. If the prospective investor chooses to exercise a right of rescission against the Fund, the prospective investor has no right of action for damages against a person or company referred to above.

The amount recoverable shall not exceed the price at which the Fund Units were offered under this Offering Memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation.

No action may be commenced to enforce a right:

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

13.7 New Brunswick

The *Securities Act* (New Brunswick) (the “**New Brunswick Act**”) provides that, subject to certain limitations, where this Offering Memorandum or any amendment thereto, which is provided to a prospective investor of the Fund Units contains a Misrepresentation (as defined in the New Brunswick Act), a prospective investor who purchases the Fund Units shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and the prospective investor has, subject to certain defences, a right of action for damages against the Fund or may elect to exercise a right of rescission against the Issuer, in which case the prospective investor shall have no right of action for damages, provided that:

- (a) in an action for damages or rescission, the defendant will not be liable if it proves that the prospective investor purchased the Fund Units with knowledge of the Misrepresentation ;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation relied upon; and
- (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Fund Units were offered.

No action to enforce the foregoing rights may be commenced:

- (a) 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
- (b) in the case of any action, other than an action for rescission, more than 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.

13.8 Nova Scotia

The *Securities Act* (Nova Scotia) (the “**Nova Scotia Act**”) provides that, subject to certain limitations, where this Offering Memorandum, together with any amendment thereto sent or delivered to a prospective investor, or any advertising or sales literature (as such terms are defined in the Nova Scotia Act) contains a Misrepresentation (as defined in the Nova Scotia Act), a prospective investor who purchased Fund Units referred to in it is deemed to have relied on the Misrepresentation , if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the Fund, and subject to certain additional defences, every seller (other than the Issuer) of Fund Units and persons who have signed this Offering Memorandum.

Alternatively, where the prospective investor purchased Fund Units from the Fund, the Subscriber may elect to exercise a right of rescission against the Issuer. If the prospective investor exercises its right of rescission against the

Issuer, the prospective investor will not have a right of action for damages against the Fund or against any aforementioned person.

The foregoing rights are subject to, among other limitations, the following:

- (a) no action shall be commenced to enforce any of the foregoing rights more than 120 days after the date on which the initial payment was made for the Fund Units;
- (b) no person will be liable if the person proves that the prospective investor purchased the Fund Units with knowledge of the Misrepresentation ;
- (c) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation ; and
- (d) the amount recoverable in any action may not exceed the price at which the Fund Units were offered to the prospective investor under this Offering Memorandum or amendment thereto.

13.9 Prince Edward Island

The *Securities Act* (Prince Edward Island) (the “**PEI Act**”) provides, subject to certain limitations, that if this Offering Memorandum contains a Misrepresentation (as defined in the PEI Act), a prospective investor who purchases Fund Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the prospective investor relied on the Misrepresentation , a right of action for damages against the Issuer and every person who signed this Offering Memorandum.

Alternatively, the Subscriber may elect to exercise a right of rescission against the Issuer. If the prospective investor exercises its right of rescission against the Fund, the prospective investor will not have a right of action for damages against a person referred to above.

The amount recoverable must not exceed the price at which the Fund Units purchased by the plaintiff were offered. In an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the Fund Units resulting from the Misrepresentation.

No action may be commenced to enforce a right:

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

in any other case, more than the earlier of,

- (b) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
- (c) three years after the day of the transaction that gave rise to the cause of action.

13.10 Newfoundland and Labrador

The *Securities Act* (Newfoundland and Labrador) provides that if this Offering Memorandum contains a Misrepresentation, a prospective investor who purchases Fund Units offered by this Offering Memorandum is deemed to have relied on the representation if it was a Misrepresentation at the time of purchase, and the prospective investor has a right of action for damages against the Fund and every person who signed this Offering Memorandum and a right of rescission against the Fund.

If the prospective investor chooses to exercise a right of rescission against the Issuer, the prospective investor has no right of action for damages against a person referred to above.

The amount recoverable shall not exceed the price at which the Fund Units were offered under this Offering Memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation.

No action shall be commenced to enforce these contractual rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, before the earlier of,
 - (i) 180 days after the plaintiff first has knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Fund may rely.

The statutory rights of action discussed above are in addition to, and without derogation from, any other right or remedy which a prospective investor may have at law.

In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, the foregoing rights shall apply to all of the information in any of the OM Marketing Materials, which are deemed to be incorporated by reference into the Offering Memorandum.

ITEM 14 CERTIFICATE OF THE FUND AND THE PROMOTER

This Offering Memorandum does not contain a Misrepresentation.

DATED EFFECTIVE this 17th day of March, 2025.

PROOF CAPITAL ALTERNATIVE INCOME FUND

By its Promoter, Proof Capital Inc.

"Jeremy Kaliel"

Jeremy Kaliel⁽¹⁾

Chief Executive Officer

By the Fund, Proof Capital Alternative Income Fund

"Cameron Reid"

Cameron Reid⁽²⁾

Authorized Signatory

(1) *Jeremy Kaliel is also an Associate Advising Representative (Associate Portfolio Manager) and Dealing Representative of Qwest Investment Fund Management Ltd.*

(2) *Cameron Reid is an Advising Representative (Portfolio Manager) of Qwest Investment Fund Management Ltd.*