PORTLAND PRIVATE INCOME FUND

Amendment No. 2 dated September 23, 2015 to the Confidential Offering Memorandum dated December 17, 2012 as amended April 14, 2015

*The securities referred to in the confidential offering memorandum of the Funds dated December 17, 2012 as amended April 14, 2015 and as amended by this Amendment (together, the "**Offering Memorandum**"), are being offered on a private placement basis. The Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons where, and to whom, they may be lawfully offered for sale. The Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. The securities offered under the Offering Memorandum qualify for distribution in the jurisdictions in which they are offered pursuant to statutory exemptions under securities legislation in those jurisdictions.*

The 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 the Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisers, the Offering Memorandum or any information contained therein. No person has been authorized to give any information or to make any representation not contained in the Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THE SECURITIES OR REVIEWED THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS INVESTMENT HAS RISKS. SEE THE SECTION OF THE OFFERING MEMORANDUM CALLED RISK FACTORS.

The Offering Memorandum dated December 17, 2012 and as amended April 14, 2015, with respect to Series A, Series F and Series O Units of Portland Private Income Fund is hereby amended in the manner described below to:

a) reflect a change in the minimum initial investment amount for Class A Units and Class F Units to $2,500;

b) update the investment policies of the Partnership;

c) amend the section called "Crown Capital Partners Inc." under "Specialty Investment Managers" to update changes to Crown Capital Partners Inc.;

d) reflect a change in the subscription procedure;

e) reflect a change to the valuation principles of the Fund;

f) reflect a change in the administrator and the custodian;

g) reflect that the Fund has entered into a Mortgage Administration and Service Agreement with MarshallZehr Group Inc.;

h) update the risk factor disclosure; and

i) amend the section called "Independent Review Committee" under "Corporate Governance" to update the biography of one of the members.

Except as outlined below, the Offering Memorandum remains unchanged. The Offering Memorandum must be read subject to the amendments described below. All defined terms used herein have the meanings given to those terms in the Offering Memorandum.

Inside Cover – Minimum Subscription Amount

The inside cover disclosure under the heading "Minimum Subscription Amount" is amended by replacing all references to "$1,000" with "$2,500".

Investment and Operating Policies of the Partnership

The following bullet point is added to the end of the disclosure under the sub-heading "Mortgages" on pages 6 and 7:

"● the Partnership may participate in DIP financings. Debtor-in-possession financing, also known as "interim financing" or "DIP financing," describes an increasingly common situation where financing is provided to a technically insolvent company which via court approval is allowed to remain in possession of its assets during a restructuring process. A

hallmark of DIP financing is that the DIP lender will be granted "super-priority" status over the claims of other creditors."

Specialty Investment Managers

The section under the sub-heading titled "Crown Capital Partners Inc." on page 11 and 12 has been deleted and replaced with the following:

"Crown Capital Partners Inc. ("**Crown Capital**") is a Specialty Investment Manager selected by the Manager.[1]

History

Crown Capital's business was established in October 2000 by Crown Life Insurance Company ("**Crown Life**") in order to manage its private equity and debt investments. Crown Capital's formation was part of Crown Life's strategy to optimize the management of its assets following the sale of its insurance business to The Canada Life Assurance Company. Crown Life allocated $60 million to Crown Capital to invest in alternative investments. This original capital pool is referred to as Crown Capital Fund I. The final loan in Crown Capital Fund I was extended in April 2005 and all of the loans have been realized.

In July 2002, Crown Capital's management purchased Crown Capital from Crown Life.

In 2005, Crown Capital created Crown Capital Investment Partners, Limited Partnership with an U.S. alternative investment manager and had a target capital commitment of US$150 million. The capital pool was managed by Crown Capital and deployed approximately $140.4 million in both Canadian and U.S. loans over a two year period. This capital pool is referred to as Crown Capital Fund II. The final loan in Crown Capital Fund II was extended in December 2007 and the fund has been substantially realized.

In 2010, Crown Capital incorporated a subsidiary, Norrep Credit Opportunities Fund Inc. under the *Business Corporations Act* (Alberta) to act as the general partner for Crown Capital's future Norrep Credit Opportunities Fund **("NCOF")** Funds. Collectively the NCOF Funds raised $171 million, of which approximately $81.5 million has been deployed by NCOF II and NCOF II (parallel) to date. This capital pool is referred to as Crown Capital Fund III. NCOF is in the realization stage, while much of the potential return for NCOF II and NCOF II (parallel) is as yet unrealized.

In 2011, Hesperian Capital Management Inc. (now Norrep Capital Management Ltd. ("**Norrep Capital**")), acquired an ownership interest in Crown Capital. Effective

[1] Information sourced from Crown Capital Partners Inc. Amended and Restated Preliminary Prospectus dated June 8, 2015

December 1, 2014 pursuant to a corporate reorganization, Norrep Inc. (now Norrep Investment Management Group Inc. ("**Norrep**")) acquired Norrep Capital and Norrep Capital's ownership interest in Crown Capital. Norrep was not actively engaged in the operations or management of Crown Capital.

In July 2015, Crown Capital was listed on the Toronto Stock Exchange.

Company Overview

Crown Capital is a specialty finance company focused primarily on providing capital to successful Canadian companies, and to select U.S. companies, that are unwilling or unable to obtain suitable financing from traditional capital providers such as banks and private equity funds. Crown Capital originates, structures and provides tailored transitory and permanent financing solutions to a diversified group of private and public mid-market companies in the form of loans, royalties and other structures with minimal or no ownership dilution. Such financing solutions allow business owners to retain the vast majority of the economic rewards associated with the ownership of their respective businesses. Though Crown Capital has historically offered financing solutions to businesses for transitory capital requirements generally in the form of short and medium term senior or subordinated loans ("**Special Situations Financing**") indirectly through the various funds managed by Crown Capital ("Crown Capital Funds"), it is now implementing a Hybrid Business Model (as described below in the section titled "Hybrid Business Model") which, in addition to its current indirect lending model, will include the deployment of the company's capital to financing clients seeking non-dilutive sources of long term capital, generally in the form of loans and royalties ("**Long-term Financing**"), as well as the acquisition of a majority interest in one of its Special Situations Financing funds, NCOF II and a targeted 30% ownership in its future Special Situations Financing funds.

Crown Capital targets successful companies with perceived risk profiles exceeding the lending criteria of traditional lenders, and whose capital requirements are too small to access the high yield public debt market. In identifying potential financing clients, particular attention is paid to the stability and growth of revenues and profitability, the potential client's ability to repay debt, and marketability of the client or its assets in a default scenario. Crown Capital's management team has developed strong expertise in the Alternative Credit Industry and over the past 15 years Crown Capital has effectively completed over 30 private debt transactions across Crown Capital Fund I, Crown Capital Fund II and Crown Capital Fund III. Loans in Crown Capital Fund I and Crown Capital Fund II generated Gross IRRs (as defined below) of greater than 20.0% and approximately 12.4%, respectively, while the loans comprising Crown Capital Fund III

are still outstanding and as at March 31, 2015 have generated a Gross IRR of approximately 10.4%.

'**Gross IRR**', is the gross internal rate of return calculated by Crown Capital for a loan based on '**Realized Amounts**' and '**Unrealized Amounts**', and actual cash outflows made in respect of the loan. Realized Amount, is the cash inflows received in respect of a loan; and Unrealized Amount, is the projected cash inflows to be received in respect of a loan based on Crown Capital's fair value estimate of a loan and its bonus features, including securities, as calculated by Crown Capital. For purposes of calculating Gross IRRs and other performance measures, amounts are provided by Crown Capital in the currency in which the loan was made or are converted to Canadian dollars from U.S. dollars on a 1:1 basis, in each case, without any adjustment for the impact that currency exchange rates or currency exchange rate fluctuations may have on such measures. Crown Capital believes that if adjustments to such performance measures were made in respect to currency exchange rate movements, the impact of such adjustments would not be material. References to certain historical performance measures used by Crown Capital relate to its Special Situation Financing business which Crown Capital believes is useful supplemental information that may assist investors in assessing the financial performance generated by Crown Capital's Special Situations Financing business. These performance measures should not be considered as the sole measure of the historical performance of Crown Capital's Special Situations Financing business and should not be indicative of Crown Capital's future performance or revenue.

Crown Capital's financing solutions are designed to generate stable and predictable cash flows for Crown Capital over the long term while limiting its exposure to variability in the financing client's operating performance. Crown Capital intends to develop a diversified portfolio of successful commercial-stage financing clients that generate stable and recurring cash flows for Crown Capital. With a stable cash flow, Crown Capital intends to provide regular dividends to shareholders.

Crown Capital has offices in Toronto and Calgary, and employs five professionals, each of whom has substantial experience in originating, structuring, underwriting and managing alternative investments. The two key individuals at Crown Capital, Chris Johnson, President & CEO and Brent Hughes, Executive Vice President, each have been employed at Crown Capital and its predecessor firms for approximately 15 years and have achieved a top quartile record of success among other lenders in the North American Alternative Credit Industry.

As at March 31, 2015, Crown Capital had assets under management of approximately $85 million through the Crown Capital Funds. Crown Capital is in the process of raising a target amount of approximately $300 million for Crown Capital Fund IV, LP, through

which it plans to provide Special Situations Financing. Crown Capital has targeted an initial close for Crown Capital Fund IV of approximately $100 million in September to October of 2015 and intends to raise approximately $200 million in additional capital once the initial capital is fully deployed.

Financing Principles

Crown Capital's approach to financing is aligned with that of the Manager and is guided by the following core principles and philosophies:

- **Favourable Macroeconomic Environment:** Crown Capital takes a top-down approach to origination screening by looking at industry sectors with favourable economic conditions and robust growth prospects.

- **Strong Operating Track Record and Stability of Cash Flow:** Crown Capital will look to enter into financing transactions with businesses that have a successful operating history and a track record of generating positive cash flow. Crown Capital will also consider other factors which may include but are not limited to market share, customer concentration, volatility of historical performance and ability to sustain cash flow and margins over the longer term.

- **Owner/Management Track Record:** Crown Capital's extensive due diligence process is designed to ensure that funding is provided to high quality businesses with strong management teams that have an extensive track record of operational success and industry expertise.

- **Tailored Financing Solutions with Economic Ownership Alignment:** Crown Capital's financing solutions are tailored to meet the needs of its financing clients, providing flexibility and the potential for the clients to participate in any future profits or gains.

- **Cash Flow-Based, Secured Lending:** Unlike asset-based lenders whose lending decisions are primarily based on the borrower's net realizable value of assets, Crown Capital's financing solutions are expected to primarily rely on the maintenance of cash flows to determine a financing client's ability to service debt, and on enterprise value to determine recovery values.

- **Limited and Manageable Leverage:** Crown Capital intends to consider the debt servicing track record of potential financing clients and look to ensure that the anticipated cash flows of the businesses provide sufficient coverage for payments that will become due on funds advanced.

- **Industry and Geography Diversification:** Crown Capital expects to diversify its portfolio with regard to both business segments and geographies.

Target Client Universe

Crown Capital focuses on providing tailored financing solutions to successful mid-market businesses with strong leadership teams and a history of profitability. Conversely, Crown Capital does not offer financing solutions to distressed businesses due to the volatility of these investments and the high potential for workout situations. Though primarily focused on Canada, Crown Capital seeks opportunities across Canada and the United States and pursues a multi-sector portfolio approach.

Crown Capital believes a significant opportunity exists to provide capital to private business owners. In management's experience, private business owners are highly sensitive to ownership dilution and are reluctant to issue dilutive equity to third parties. These businesses have limited options for raising long-term capital and Crown Capital's financing solutions are specifically designed to address such capital needs.

Crown Capital has provided Special Situations Financing solutions to clients in a wide variety of sectors across its Crown Capital Funds. Crown Capital tailors its financing strategies and solutions to properly capture the return potential and protect against downside risks of the various sectors. To date, Crown Capital's financing clients have been highly diversified with no one industry group representing greater than 25% of total capital deployed. With respect to geography, Crown Capital's financing transactions have been focused on Alberta and Ontario with these provinces representing approximately 31% and 21%, respectively, of total capital deployed.

Market Opportunity

The Manager shares Crown Capital's belief that the current market for alternative financing solutions for mid-market companies in Canada is strong. Canada's financial landscape is dominated by the six leading chartered banks and private equity funds, whose financing terms and dilutive financing structures are, in management's view, often ill-suited to meet the demands of many mid-market companies. More recently the credit crisis exacerbated the funding gap, as capital providers further limited their willingness to extend credit to smaller borrowers.

There are several thousand mid-market companies in Canada and multiples more in the United States. The Manager and Crown Capital's management believe that many of these mid-market companies prefer to execute transactions with private capital providers such as Crown Capital, rather than execute high-yield bond or equity transactions in the public

markets, which may necessitate increased financial and regulatory compliance and reporting obligations.

Crown Capital believes that the current market dynamic has created an opportunity for specialty finance providers focused on the mid-market. Through its track record, Hybrid Business Model and tailored financing solutions that provide business owners with significant benefits over alternative sources of capital, Crown Capital believes that it is well positioned to address the current funding gap that exists for mid-market companies in North America.

Hybrid Business Model

Crown Capital's Hybrid Business Model will seek to serve both the short-term transitory needs of mid-market companies for minimally-dilutive capital and long-term financing needs for non-dilutive capital. Crown Capital's Special Situations Financing solutions are expected to include senior or subordinated loans with a term of up to five years with additional bonus features that may include warrants, gifted shares, phantom equity or payment-in-kind. Target Gross Yields[2] are 12% to 17% per annum and the target loan size is $5 million to $50 million for Special Situations Financing. Crown Capital's Long-term Financing solutions are expected to take the form of fixed rate long-term loans, participating loans, perpetual debt, income streaming and royalty interest structures. Crown Capital's Long-term Financing solutions will generally not include any equity bonus features and will have a Target Gross Yield of 10% to 16% per annum and the target loan or investment size is $10 million to $50 million.

The two components of the Hybrid Business Model are expected to complement each other by focusing on the same target client base. Crown Capital believes that this unique hybrid approach of capital deployment provides the company with the following significant benefits:

- **Optionality for financing clients and cross-selling opportunities:** By providing both short-term debt solutions and long-term, non-dilutive capital, Crown Capital offers potential financing clients a broader range of products to choose from and will provide Crown Capital with the ability to cross-sell its offerings to existing clients.

- **Accelerated deal origination capabilities:** Crown Capital's hybrid product offering is expected to increase the company's addressable market by capturing both Special Situations Financing and Long-term Financing clients. Crown Capital believes that this will lead to a greater number of business leads and accelerated deal origination capabilities.

[2] "**Target Gross Yield**" means target gross returns on a Special Situations Financing or Long-term Financing structure, including cash and bonus features.

- **Inherent operating leverage and scalability:** The due diligence and underwriting process is similar for both Special Situations Financing and Long-term Financing. By focusing on the same target client base, Crown Capital believes that the inherent operating leverage of its business model will provide the company with significant scalability."

Fees

Crown Capital Fund IV Management Inc. is the general partner of Crown Capital Fund IV, LP and as such is entitled to fees (including Performance Fees as described in the below section titled "Distributions") and reimbursement of expenses as outlined in the limited partnership agreement. The annual management fee payable to Crown Capital is equal to 1.75% of contributed capital, less any capital distributions and realized losses, per each calendar year. This management fee will be reduced by the amount of fee discount distributions made to (i) limited partners that purchase units on the initial closing date (which the Manager currently expects to be a discount of 0.175% off the 1.75% per annum management fee) and; (ii) limited partners having a capital commitment in excess of $20,000,000 (which the Manager currently expects to be 0.75% off the 1.75% per annum management fee). Crown Capital is also entitled to 50% of all Transaction fees received by the partnership in connection with any investments, up to a maximum amount per investment equal to 1% of the total amount of the investment. Transactions fees includes all negotiation fees, financing fees, closing fees, success fees and other similar fees or payments earned and received by the partnership in connection with the beginning of an investment.

Distributions

Distributions of current cash received from dividends and interest from investee investments net of current expenses and net cash proceeds from the sale of investee investments or any portion of an investment will be made to limited partners. Distributions will be paid in the following amounts and order of priority: (i) 100% of the limited partners' contributed capital; (ii) distributions representing an 8% annual rate of return (calculated as from the date of contribution and compounded annually) on the limited partners' contributed capital (i.e. the amount that has actually been contributed / paid by limited partners), on an aggregate basis; and (iii) thereafter split 80% to the limited partners and 20% to the general partner. The distribution to the general partner as described is referred to as a "**Performance Fee**".

The Offering

The following are changes to the section titled "The Offering" on pages 14 and 15:

i. The first sentence in the first bullet point is deleted and replaced with the following:

"**Series A Units** are available to all investors who invest a minimum of $2,500."

ii. The first sentence in the second bullet point is deleted and replaced with the following:

"**Series F Units** are generally available to investors who invest minimum of $2,500 and who purchase their Units through a fee-based account with their registered dealer."

Subscriptions

The following are changes to the section titled "Subscriptions":

i. Effective in or about October, 2015, the first paragraph under the sub-heading "Subscription Procedure" on page 15 is deleted and replaced with the following:

"Subscriptions for Units must be made by completing and executing the Subscription Agreement and by forwarding such form together with payment by the options as outlined therein to CIBC Mellon Global Securities Services Company (the "**Administrator**").

ii. Effective September 21, 2015, the seventh paragraph under the sub-heading "Subscription Procedure" on page 16 is deleted and replaced with the following:

"Subscription funds provided prior to a Valuation Date will remain at your dealer until your interim subscription units have been issued. Subscriptions for Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. In the event a subscription is rejected, any subscription funds received by the Administrator will be returned without interest or deduction."

Net Asset Value

The following are changes to the section titled "Net Asset Value":

i. The first sentence in the second bullet under the sub-heading "Valuation Principles" on pages 18 to 20 is deleted and replaced with the following:

"short-term loans and mortgages contemplated herein are valued at cost plus accrued interest, which the Manager, or third party engaged by the Manager, believes approximates fair value, provided there are no impairments."

ii. A new bullet has been added under the second bullet under the sub-heading "Valuation Principles" on pages 18 to 20 as follows:

"the value of short-term income securities shall be that which, in the opinion of the Manager, or third party engaged by the Manager, reflects their fair value;"

iii. The fifth bullet under the sub-heading "Valuation Principles" on pages 18 to 20 is deleted in its entirety.

Administrator

Effective September 8, 2015, the paragraph under the heading "Administrator" on page 23 is replaced with the following:

"The Manager has retained CIBC Mellon Global Securities Services Company, from its principal offices in Toronto, Ontario, to carry out certain administrative services for the Fund and the Partnership. Administrative services will be transferred from Citigroup Fund Services Canada, Inc. (the previous administrator) in two tranches: the administrative services consisting of fund accounting and Net Asset Value calculations may convert on or about September 8, 2015, and transfer agency, Unitholder recordkeeping, tax preparation, client statements and client servicing, including processing of all subscriptions and redemptions and calculating and processing all income and capital gains distributions, will convert in or about October, 2015. In this capacity, the receipt by the Administrator of any document pertaining to the purchase, redemption or switching of Units will be considered to be the receipt by the Fund and the Partnership."

Custodian Agreement

Effective September 8, 2015, the paragraph in the section titled "Custodian Agreement" on page 24, as amended, is deleted and replaced with the following:

"The Fund and the Partnership have entered into an agreement for custodial services with CIBC Mellon Trust Company located in Toronto, Ontario, dated August 13, 2015, as may be amended (the "**Custodian Agreement**"). As custodian, CIBC Mellon Trust Company may hold cash and securities of the Fund. The Custodian Agreement may be terminated upon at least 60 days prior written notice by the Manager or 120 days prior written notice by the Custodian."

Mortgage Administration and Services Agreement

All references to the Partnership in the heading "Mortgage Administration and Services Agreement" on pages 26 to 29 are changed to "Partnership and Fund".

The first paragraph under the heading Mortgage Administration and Services Agreement" on page 26 is replaced with the following:

> "The Partnership and Fund have each engaged MZG Inc. as a Mortgage Administrator to service and administer mortgages on behalf of the Partnership and Fund and provide certain other services pursuant to a mortgage administration and services agreement (the "**Mortgage Administration and Services Agreement**") which may be amended from time to time.

Risk Factors

The following are changes to the section titled "Risk Factors" on pages 33 to 48:

i. A new paragraph is added after the first paragraph of the section with the sub-heading "Nature of Investments" on pages 43 to 44 as follows:

> "There may be instances where the Partnership may invest in situations involving distressed companies. These investments by the Partnership are typically done as part of a DIP financing arrangement. DIP financings are often required to close with certainty and in a rapid manner in order to assist with the funding of the restructuring of a technically insolvent company. Although a DIP lender is typically granted "super-priority" status by court order over the claims of existing creditors, there may be existing court ordered charges that rank in priority to the DIP lending charge. In the event the DIP lender is required to enforce the DIP lending charge, the recourse would typically be only to the assets of an insolvent company."

ii. The sub-heading "Knowledge and Experience of a Specialty Investment Manager" on page 42 is deleted in its entirety and replaced with the following:

> **"Knowledge of and Dependence on Specialty Investment Manager**
>
> The Partnership is dependent on the knowledge and expertise of a Specialty Investment Manager in connection with the investment products managed by the Specialty Investment Manager in which the Partnership invests or will invest. There is no certainty that the persons who are currently officers and directors of a Specialty Investment Manager will continue to be officers and directors of the Specialty Investment Manager for an indefinite period of time.
>
> As well, the Partnership may invest in income producing public securities of a Specialty Investment Manager, including preferred shares or dividend paying equity securities, increasing the Partnership's dependency on the Specialty Investment Manager. A regulatory issue or failure impacting such a Specialty Investment Manager could significantly and adversely affect the performance of the Partnership."

iii. The following is added to the end of the section titled "Risk Factors":

Risks Associated with the Partnership's investment in Crown Capital and Crown Capital Funds

The risks and uncertainties and uncertainties described below are not the only risks and uncertainties that Crown Capital faces. Additional risks and uncertainties of which Crown Capital is not currently aware or that Crown Capital currently believes to be immaterial may also materially adversely affect Crown Capital's business, assets, financial condition, results of operations, prospects, cash flows, and the value or future trading price of the common shares of Crown Capital and investment in Crown Capital Funds (one of the more of the foregoing, a "**Material Adverse Effect**").

Risks Particular to the Alternative Credit Industry

Financing of Mid-market Businesses

Crown Capital's financing portfolio will consist primarily of financing solutions provided to mid-market businesses, including privately-owned companies, many of which do not publicly report their financial condition and are not subject to the same accounting rules and securities laws that govern disclosure and financial controls of public companies. Compared to larger, publicly-traded companies, financing solutions offered to these types of businesses may carry more inherent risk. See also "Risk Factors – Risks Associated with the Partnership's investment in Crown Capital and Crown Capital Funds– Creditworthiness of Financing Clients". Crown Capital's financing clients generally have limited access to capital and higher funding costs. Such businesses may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Mid-market businesses may also have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, because many of Crown Capital's financing clients do not publicly report their financial condition and may not have sophisticated financial controls and oversight, Crown Capital is more susceptible to a client's misrepresentation, which could result in a Material Adverse Effect. See also "Risk Factors – Risks Associated with the Partnership's investment in Crown Capital and Crown Capital Funds – Fraud by a Financing Client". The failure of a financing client to accurately report its financial position could result in Crown Capital providing financing solutions to a financing client that does not meet Crown Capital's underwriting criteria, defaults on payments owing to Crown Capital, the loss of some or all of the principal of a loan, or non-compliance by a financing client with applicable covenants. Accordingly, financing solutions offered to these types of businesses involve

higher risk than financing solutions offered to larger businesses with greater financial resources or that are otherwise able to access traditional credit sources.

Creditworthiness of Financing Clients

Crown Capital's business depends on the creditworthiness of its financing clients and their ability to fulfill their obligations to Crown Capital. Although Crown Capital intends to offer financing solutions only to financing clients with a history of profitability, there can be no assurance that its financing clients will not default and that Crown Capital will not sustain a loss as a result. See "Risk Factors – Risks Associated with the Partnership's investment in Crown Capital and Crown Capital Funds– Default by and Bankruptcy of a Financing Client". Crown Capital will also rely on representations and warranties made by financing clients in their financing documentation; however, there can be no assurance that such representations will be accurate or that Crown Capital will have any recourse against the financing client in the event a representation proves to be untrue. See also "Risk Factors – Risks Associated with the Partnership's investment in Crown Capital and Crown Capital Funds– Fraud by a Financing Client".

Fraud by a Financing Client

While through the use of its five stage underwriting process, Crown Capital makes every effort to verify the accuracy of information provided to it when making a decision on whether to offer a financing solution, a financing client may misrepresent information relating its financial health, operations, or compliance with the terms under which Crown Capital has advanced funds. In cases of fraud, it is difficult and often unlikely that Crown Capital will be able to collect amounts owing under loan or realize on collateral, which could have a Material Adverse Effect.

Dependence on the Performance of Financing Clients

Crown Capital will be dependent on the operations, assets and financial health of the financing clients to which it directly and indirectly provides capital. Crown Capital's ability to meet its operating expenses in the long term will be largely dependent on the investment returns and management fees received from its Special Situations Financing portfolio and royalties or other income from its Long-term Financing portfolio. If the financial performance of its financing clients decline, cash payments to Crown Capital will likely decline. The failure of any financing client to fulfill its payment obligations to Crown Capital or the Crown Capital Funds could adversely affect Crown Capital's financial condition and cash flow. Crown Capital conducts due diligence on each financing transaction prior to entering into agreements and monitors activities of financing clients by receiving and reviewing regular financial reports. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through

Crown Capital's due diligence or that arise subsequent to Crown Capital's funding of the loan that may have an adverse effect on a financing client's business.

Risks Facing Financing Clients

Each financing client will also be subject to risks which will affect their financial condition. As Crown Capital is not privy to all aspects of its clients' businesses, it is impossible to predict exactly what risks financing clients will face. Nonetheless, Crown Capital expects that typical risks may include the following:

- The success of Crown Capital's financing clients may depend on the management talents and efforts of one or two key persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a Material Adverse Effect on a financing client.

- Financing clients may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, or is not available on beneficial terms, the financial performance and development of the businesses of Crown Capital's financing clients may be adversely affected.

- Damage to the reputation of Crown Capital's financing clients' brands could negatively impact consumer opinion of those businesses or their related products and services, which could have an adverse effect on their business.

- Financing clients may face intense competition, including competition from companies with greater financial or other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that Crown Capital's financing clients will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.

- Financing clients may experience reduced revenues from the loss of one or more customers representing a high percentage of their monthly revenues.

- Financing clients may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.

- Financing clients may rely on government or other subsidy programs for revenue or profit generation. Changes to or elimination of such programs may have an adverse effect on the financing client.

- Financing clients may derive some of their revenues from non-Canadian sources and may experience negative financial results based on foreign exchange losses, hedging costs or foreign investment restrictions.

Prepayment by Financing Client

Certain of Crown Capital's financing products may be prepayable by the financing clients, subject to prepayment penalties. Crown Capital is unable to predict if or when a financing client will make a prepayment. Typically, a financing client's decision to prepay depends on its continued positive economic performance and the existence of favourable financing market conditions that permit the financing client to replace its existing financing with less expensive capital. As market conditions change frequently, it is very difficult to predict if or when a financing client may deem market and business conditions to be favourable for prepayment. Prepayment by a financing client may have the effect of reducing the achievable yield of the financing solution to a level below that which was anticipated by Crown Capital. Such a reduction may occur when Crown Capital is unable to invest the funds prepaid by the financing client in other transactions with an expected yield greater than or equal to the yield Crown Capital expected to receive from the prepaying financing client.

Default by and Bankruptcy of a Financing Client

A financing client's failure to satisfy its borrowing obligations, including any covenants imposed by Crown Capital, could lead to defaults and the termination of the financing client's loans and enforcement against its assets. In order to protect and recover its investments, Crown Capital may be required to bear significant expenses (including legal, accounting, valuation and transaction expenses) to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting financing client. In certain circumstances, a financing client's default under one loan could also trigger cross-defaults under other agreements and jeopardize that financing client's ability to meet its obligations under a loan agreement it may have with Crown Capital.

Should a financing client become insolvent, the value of any collateral in the event of liquidation or the value of any bonus features in regard to Long-term Financing solutions will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale of all of a financing client's collateral will be sufficient to satisfy the loan obligations secured by the collateral, or that sufficient assets to repay Crown Capital will remain after more senior creditors have been repaid. See also "Risk Factors – Risks Associated with the Partnership's investment in Crown Capital and Crown Capital Funds– Collateral Securing Crown Capital's Loans".

Additional Indebtedness of Financing Clients

To the extent a financing client is permitted to incur other debt secured by certain assets that ranks equally with, or senior to, the loans made by Crown Capital, such debt instruments may provide that the senior holders are entitled to receive payment of interest or principal on or before the dates on which the Crown Capital debt is serviced. The rights Crown Capital may have with respect to the collateral securing the loans it provides may also be limited pursuant to the terms of one or more intercreditor agreements with the holders of senior debt. Typically, an intercreditor agreement will provide various rights and remedies to the holder of a first priority lien during the time it is outstanding, which may result in Crown Capital failing to be repaid outstanding principal and interest owed to it and could have a Material Adverse Effect.

Collateral Securing Crown Capital's Loans

Where Crown Capital's financing solutions are secured by a lien on specified collateral of the financing client (particularly inventory, receivables and tangible fixed assets), there is no assurance that Crown Capital has obtained or properly perfected its liens, or that the value of the collateral securing any particular financing solution will protect Crown Capital from suffering a partial or complete loss if the financing solution becomes non-performing and Crown Capital moves to enforce against the collateral. In such event, Crown Capital could suffer losses that could have a Material Adverse Effect. In addition, during its underwriting process, Crown Capital makes an estimate of the value of the collateral. A decrease in the market value of collateral assets at a rate greater than the rate projected by Crown Capital may adversely affect the current realization values of such collateral. The degree of realization risk varies by the business of the financing client and the nature of the security.

Fair Value Estimate

Loans and other investments within Crown Capital Funds' portfolios are assigned a fair value based on management's reasonable estimates of value and management's expectations for performance of the loan or other investments. The fair value may be negatively affected by factors outside the knowledge or control of management and may result in the actual fair value being materially different from that assigned by Crown Capital.

Monitoring and Enforcement Procedures

From time to time, Crown Capital will be required to take enforcement proceedings with respect to non-performing loans and may be required to liquidate a financing client's assets. Enforcement and liquidation proceedings can be time consuming and, if a

sufficient number of loans require enforcement, management's attention may be diverted from the day to day operations or from pursuing its growth strategy and Crown Capital may incur significant expenses that cannot be recovered.

At any given time, financing clients may represent a risk of a loss to Crown Capital. Such situations could arise where the collateral of the financing client falls below the outstanding loan balance, where the financial condition of the financing client has materially deteriorated, or where the financing client has otherwise failed to comply with its obligations.

Historical Performance Not Indicative of Future Performance

The past performance of Crown Capital has been based on a portfolio comprised of Special Situations Financing transactions. There can be no assurance that the same level of earnings can be achieved under the Hybrid Business Model, on additional Special Situations Financing transactions or on Long-term Financing transactions. Potential purchasers are cautioned not to place undue reliance on historical performance in making an investment decision. Crown Capital has not entered into any Long-term Financing transactions as of the date of this prospectus.

Control Over Financing Clients

Crown Capital is not always in a position to exercise control over its financing clients or prevent decisions by the management or shareholders of a financing client that may affect the fair value of the Crown Capital loan, or otherwise affect the ability of the financing client to repay its obligations to Crown Capital. Furthermore, Crown Capital does not intend to take significant equity positions in its financing clients. The lack of liquidity of debt positions that Crown Capital typically holds in its financing clients results in the risk that Crown Capital may not be able to dispose of its exposure to the financing client in the instance where a financing client is underperforming. This could have a Material Adverse Effect.

Securities of Financing Clients

Crown Capital lends and will in the future extend Special Situations Financing solutions to both public and private companies, which may include bonus features granting Crown Capital securities of the client. The securities issued by private companies will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. To the extent Crown Capital receives any form of securities issued by private companies, it may be difficult for Crown Capital to dispose of such holdings if the need arises. Furthermore, if Crown Capital is required to liquidate all or a portion of the securities it holds in an illiquid company, it may realize significantly less than the value

at which it had previously recorded its holdings. In addition, Crown Capital may face restrictions imposed by securities law on its ability to liquidate or otherwise trade in securities of a financing client, including, where Crown Capital obtains material non-public information regarding such financing client.

Illiquidity of Loans

Due to the nature of Crown Capital's financing strategy and portfolio, certain financing solutions have lengthy terms and may be outstanding for a substantial period of time before they are repaid or can be liquidated under conditions preferable to Crown Capital or, in some cases, at all. Illiquid investments carry the risk that a buyer may not be found for such investments. Also, certain of the financing solutions offered by Crown Capital may be subject to legal or contractual restrictions which may impede Crown Capital's ability to dispose of such assets which it might otherwise desire to do. To the extent that there is no liquid trading market for these financing solutions, Crown Capital may be unable to liquidate these assets or may suffer a loss.

Changes in Strategies

Currently Crown Capital intends to implement the Hybrid Business Model, offering both Special Situations Financing and Long-term Financing to its financing clients. However, Crown Capital may alter its business strategies at any time without notice to its shareholders and there is no guarantee that such changes will yield similar or improved returns, if any.

Expansion of Geographic and Industry Markets

Crown Capital plans to expand in Canada and to further expand in the U.S. market. The United States is a different lending market with different competitive dynamics and therefore presents distinct and substantial risks. Crown Capital will face competition from significantly larger lenders in the United States. Failure to expand within Canada or grow in the United States as currently anticipated, or the failure to penetrate those markets successfully, may have a Material Adverse Effect.

Geographically, Crown Capital's historical financing clients have been most concentrated in western Canada and have had a large number of oil and gas related borrowers. Crown Capital intends to expand both geographically and in terms of industry sectors. Such expansion may have new or additional considerations and the financial performance of loans in such broadened markets may not perform in line with historical performance.

Lack of Regulation

Currently, there are no regulatory capital requirements on participants in the Alternative Credit Industry[3] that would impede their ability to extend credit, unlike the major commercial banks that are subject to the provisions of the *Bank Act* (Canada) and OSFI rules. Any changes to the regulation of the asset-based lending industry could have a Material Adverse Effect. Further, as the Alternative Credit Industry is not regulated, the lenders within this market may have a higher risk profile than the major commercial banks who are required to maintain prescribed levels of capital.

Risks Particular to Special Situations Financing

Uncertainty of Return on Crown Capital Funds

A portion of Crown Capital's revenue will be generated from the return on its investment in the Crown Capital Funds. Payment of distributions by limited partnership funds are not guaranteed, the values of limited partnership units change frequently and past performance of a limited partnership may not be repeated.

Indicated rates of return, including Gross IRR and Multiple[4], are the historical annual compound total returns and do not take into account sales, redemption, distribution or optional charges or income tax payable by any security holder, if any, that would have reduced returns. Gross IRR and Multiple are used to illustrate the relative returns on the loans offered by Crown Capital and is not intended to reflect future returns on loans in the Crown Capital Funds.

Both Gross IRR and Total Combined Proceeds include Unrealized Amounts. Unrealized Amounts are based on management's reasonable estimates, however, actual realized amounts in regard to any loan could be materially different.

Illiquidity of Interest in Crown Capital Funds

Ultimately, Crown Capital expects to hold up to 30% of the Crown Capital Funds going forward. The Crown Capital Funds will be offering Special Situations Financing solutions to financing clients and will therefore be relatively illiquid. There can be no assurance that Crown Capital would be able to dispose of its interest in the Crown Capital Funds in a timely manner or at all.

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[3] "**Alternative Credit Industry**" means the business of lending from sources other than commercial banks or equity transactions.

[4] "**Multiple**" means Total Combined Proceeds divided by the Aggregate Loan Amount.
"**Total Combined Proceeds**" means the sum of the Realized Amount and the Unrealized Amount in respect of a loan.
"**Aggregate Loan Amount**" means all actual gross cash outflows made in respect of a loan.

Poor Investment Returns Could Lead To the Loss of Existing Investors or an Inability to Attract New Investors, Lower Assets Under Management and a Further Decline in Revenues

Crown Capital's portfolio performance is one of the most important factors for the growth of assets under management. Poor performance relative to its competitors or otherwise could impair Crown Capital's revenues and growth because existing investors might opt not to invest in any subsequent Crown Capital Funds. This could impair Crown Capital's ability to raise capital from existing and new limited partnership investors, which could result in lower assets under management and could adversely impact revenues derived from management fees. In addition, revenues derived from performance fees are directly related to portfolio performance and therefore poor performance may cause Crown Capital to earn less or no performance fees. There is no guarantee that historical performance will be repeated or improved upon in the future.

Removal of the General Partner or Manager

Under the terms of the relevant limited partnership agreement and management agreement, Crown Capital and its affiliates can be removed as the general partner or manager in certain circumstances. Specifically, Crown Capital may be removed as manager where it fails to cure or take steps to cure a breach within 30 days' notice from the applicable Crown Capital Fund or where it commits certain acts of insolvency or bankruptcy. Norrep Credit Opportunities Fund Inc. ("**Crown Capital GP**") may be removed from its role as general partner where it has acted negligently causing a material adverse effect to the fund, violated applicable law or committed a material default of the limited partnership or management agreements. If Crown Capital or the Crown Capital GP are removed from their role, Crown Capital will no longer be entitled to base management fees nor have the opportunity to earn performance fees. This could materially impact the financial performance of Crown Capital.

General Partner and Manager are Fiduciaries

Crown Capital and the Crown Capital GP are fiduciaries to NCOF II and are expected to be fiduciaries to future Crown Capital Funds. In its role as the manager or general partner of such funds, Crown Capital and the Crown Capital GP, respectively, will be required to act in the best interest of the fund and its limited partners as a whole. There may be instances where such actions are not the most beneficial actions for Crown Capital as a limited partner and may have an adverse effect on Crown Capital.

Risks Particular to Long-term Financing

Limited Number of Financing Clients

Crown Capital currently does not offer Long-term Financing solutions. It may take time to establish a Long-term Financing portfolio and there are no assurances that it will be successful at any time. If it develops at all, Crown Capital's Long-term Financing portfolio will initially consist of a small number of financing clients. While Crown Capital's intention is to establish income streams from financing clients in different industry sectors, it will take time to attain such diversification, if such diversification can be achieved at all. Until such time as diversification is achieved, Crown Capital may have a significant portion of its Long-term Financing solutions dedicated to a single business sector or industry. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a Material Adverse Effect on Crown Capital's business, financial condition, results of operations or prospects.

Ability to Negotiate Additional Income Streams

A key element of Crown Capital's Long-term Financing growth strategy involves establishing additional income streams from financing clients. Crown Capital's ability to identify financing clients and establish additional income streams is not guaranteed. Achieving the benefits of future Long-term Financing will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues.

Corporate Governance

The fourth paragraph under the sub-heading "Independent Review Committee" on page 46 is replaced with the following:

"**David Sharpless** is the Chairman and CEO of Maverick Inc., a private consulting and investment firm and the CEO of New Carbon Economy Venture Management Inc., a private company which manages a number of investments in "green" technology companies. He is also the Interim CEO and a Director of Verdant Power, Inc., a company developing marine kinetic power technology and a Director and Chairman of the Audit Committee of Micromem Technologies Inc. a CNSX listed company. He was the Chairman of Hunter Keilty Muntz & Beatty Limited, a firm of international insurance brokers based in Toronto and the Vice Chairman of its successor, HKMB Hub International Ltd. Prior to joining Hunter Keilty Muntz & Beatty Limited in 2000, his career spanned more than 25 years as a business lawyer with Blake, Cassels & Graydon and as a senior leader in international finance. Mr. Sharpless also acts as an advisor or sits on the Board of a number of other companies."

What are Your Legal Rights?

Securities legislation in certain provinces and territories of Canada provides purchasers, or requires purchasers be provided with, a right to cancel their agreement to purchase Units of the Fund or to sue for damages if there is a misrepresentation in this Offering Memorandum. See "Statutory Rights of Action and Rescission" in the Offering Memorandum.

CERTIFICATE

The Offering Memorandum dated December 17, 2012 as amended April 14, 2015 and as further amended by this Amendment No. 2 to the Offering Memorandum, does not contain a misrepresentation.

DATED this 23rd day of September, 2015.

Portland Investment Counsel Inc.,
as trustee, manager and promoter of Portland Private Income Fund

"Michael Lee-Chin"	*"Kevin Gould"*
Michael Lee-Chin Director, Executive Chairman, Chief Executive Officer, Chief Investment Officer and Portfolio Manager	Kevin Gould Chief Financial Officer

On behalf of the Board of Directors of Portland Investment Counsel Inc.

"Robert Almeida"	*"Frank Laferriere"*
Robert Almeida Director	Frank Laferriere Director

PORTLAND PRIVATE INCOME FUND

Amendment No. 1 dated April 14, 2015
to the Confidential Offering Memorandum dated December 17, 2012

*The securities referred to in the confidential offering memorandum of the Funds dated December 17, 2012 and as amended by this Amendment (together, the "**Offering Memorandum**"), are being offered on a private placement basis. The Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons where, and to whom, they may be lawfully offered for sale. The Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. The securities offered under the Offering Memorandum qualify for distribution in the jurisdictions in which they are offered pursuant to statutory exemptions under securities legislation in those jurisdictions.*

The 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 the Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisers, the Offering Memorandum or any information contained therein. No person has been authorized to give any information or to make any representation not contained in the Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THE SECURITIES OR REVIEWED THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS INVESTMENT HAS RISKS. SEE THE SECTION OF THE OFFERING MEMORANDUM CALLED RISK FACTORS.

The Offering Memorandum dated December 17, 2012, with respect to Series A, Series F and Series O Units of Portland Private Income Fund is hereby amended in the manner described below to:

a) update the section called “The Fund” to reflect the amendment dates to the declaration of trust;

b) update the sections called “Investment and Operating Policies of the Partnership”, “The Mortgage Administrators” and “Specialty Investment Managers”;

c) update the section called “Who Should Invest” to reflect upcoming changes in applicable prospectus exemptions;

d) update the section called “Subscriptions” to reflect the change in the subscription procedure;

e) update the section called “Distributions” to reflect the change in frequency of distribution payments;

f) update the section called “Fees and Expenses”;

g) update the sections called “Management Agreement” and “Custodian Agreement” to reflect the amendment dates to each agreement;

h) update the section called “Mortgage Administration and Services Agreement”;

i) update the section called “Principal Distributer” to reflect that the Manager has engaged Mandeville Wealth Services Inc. as a principal distributor of the Fund;

j) update the section called “Canadian Income Tax Considerations and Consequences” to reflect that the Fund qualifies as a mutual fund trust and to add a sub-section on “Tax Information Reporting”;

k) update the section called “Risk Factors” to add a loss restriction event risk and to delete the mutual fund trust status risk and U.S. tax risk; and

l) update the “Independent Review Committee” section under “Corporate Governance” to reflect a change in membership in the Independent Review Committee.

Except as outlined below, the Offering Memorandum remains unchanged. The Offering Memorandum must be read subject to the amendments described below. All defined terms used herein have the meanings given to those terms in the Offering Memorandum.

The Fund

The first sentence in the section titled "The Fund" on page 1 is replaced with the following:

> "Portland Private Income Fund (the "**Fund**") is an open-ended unit trust established by Portland Investment Counsel Inc. (the "**Trustee**") as trustee under the laws of Ontario pursuant to a Master Declaration of Trust first dated October 1, 2012, as amended and as amended and restated on December 13, 2013, as amended (the "**Declaration of Trust**").

Investment and Operating Policies of the Partnership

The following are changes to the section titled "Investment and Operating Policies of the Partnership":

i. The fourth bullet under the sub-heading "Mortgages" on page 6 is replaced with the following:

   "the portfolio of mortgages are generally expected to be written for principal amounts at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying Real Property securing the mortgage;

ii. The second bullet under the sub-heading "Commercial Loans" on page 7 is replaced with the following:

   "first and second lien senior loans and mezzanine debt are typically term loans of 3 to 10 years with amortization and with expected general terms being between 3 to 7 years, although some may be a much longer duration, whereas bridge loans are typically less than 1 year;"

iii. The fourth bullet under the sub-heading "Commercial Loans" on page 7 is replaced with the following:

   "the Manager believes that strong management, real cash flow, controlled balance sheet leverage and the ability, either directly or indirectly, to negotiate the appropriate entry price point are the primary drivers of value creation. The Manager would ordinarily expect the leverage of Financed Companies to be less than 50% of their determined value and controlled at or below a ratio of 5x debt/EBITDA[1] and more generally less than 4x debt/EBITDA;"

[1] Earnings before interest, taxes, depreciation and amortization

The Mortgage Administrators

The fourth paragraph and related table under the sub-heading “MarshallZehr Group Inc.” on page 10 is deleted.

Specialty Investment Managers

The following are changes to the section on “Specialty Investment Managers”:

i. The last two sentences in the first paragraph under the sub-heading “Crown Capital Partners Inc.” on page 11 is replaced with the following:

“Crown Capital’s management team has directed three special situation debt funds which include the completion of 30 secondary debt transactions since 2002 which it estimates achieved an average gross internal rate of return of approximately 16%.”

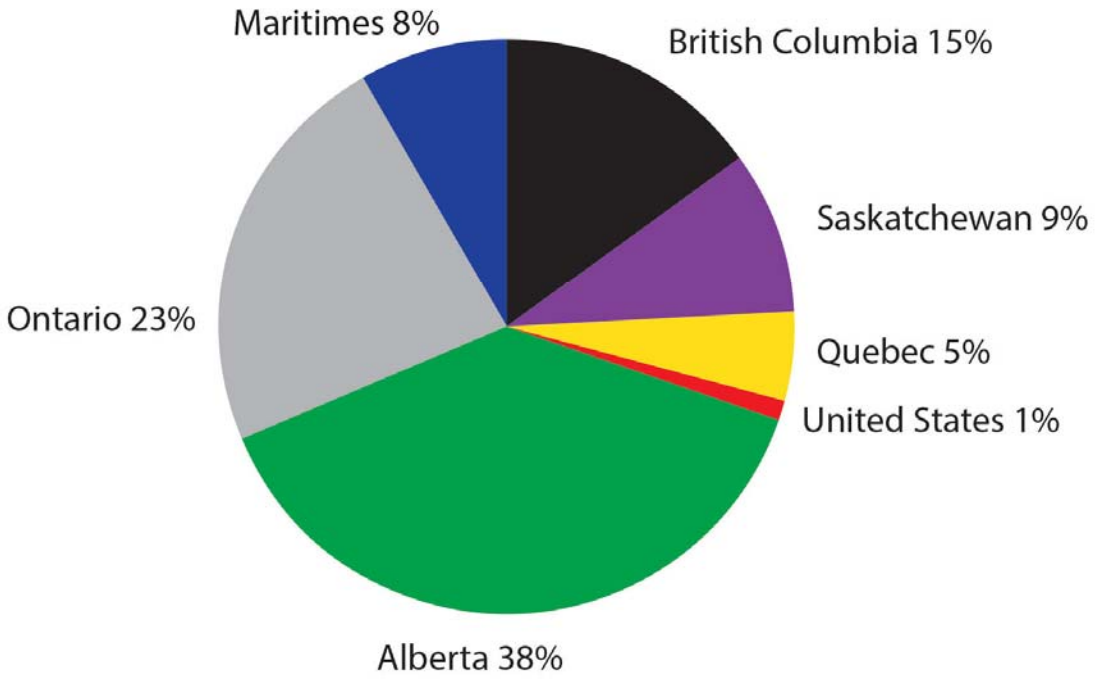
ii. The third sentence in the fifth paragraph under the sub-heading “Crown Capital Partners Inc.” on page 12 is replaced with the following:

“Crown Capital typically invests $5 million to $50 million in any one transaction and is capable of financing larger transactions.”

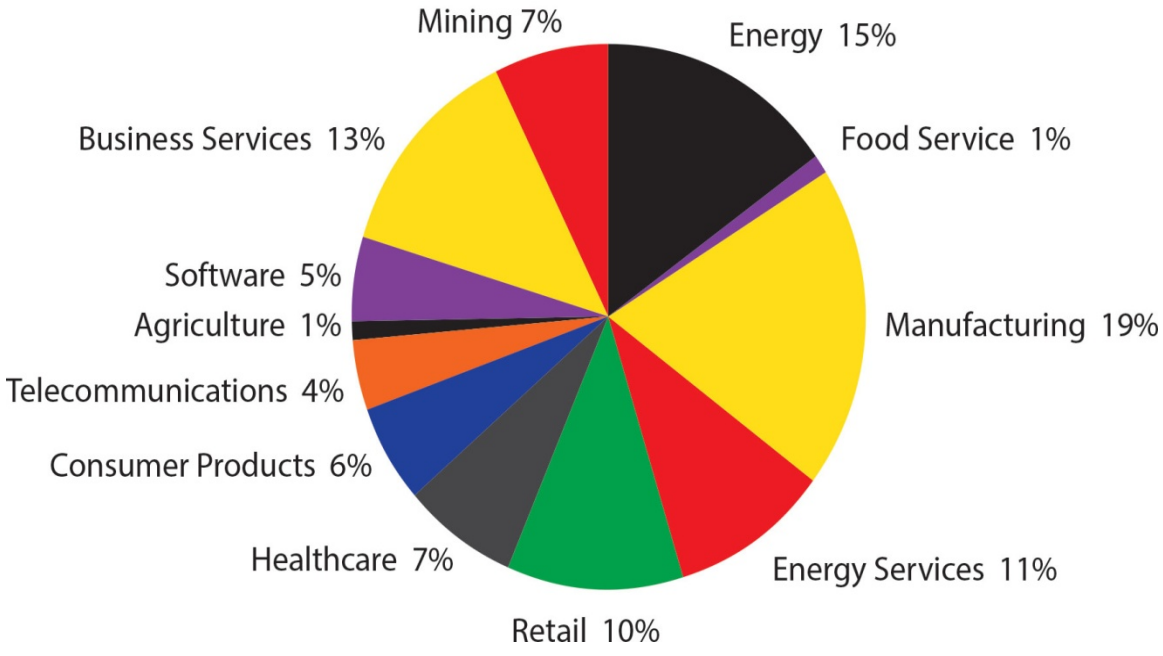
iii. The last sentence in the sixth paragraph and the charts that follows under the sub-heading “Crown Capital Partners Inc.” on page 12 is replaced with the following:

“The following charts illustrate the transactions Crown Capital has managed since inception until January 7, 2015, across both industry and geographic sectors*.

Investments by Geography



Investments by Industry



*Source: Crown Capital Partners Inc. unaudited Investor Presentation January 7, 2015"

Who Should Invest

The following are changes to the section titled "Who Should Invest":

i. The first sentence in the first paragraph under the sub-heading "Minimum Investment Criteria" on page 13 is replaced with the following:

"Units are being offered on a continuous basis to investors resident in the provinces and territories of Canada who (a) are accredited investors under National Instrument 45-106 – Prospectus and Registration Exemptions, as may be amended from time to time (an "**Accredited Investor**"), (b) are not individuals and that invest a minimum of $150,000 in the Fund, and (c) to whom Units may otherwise be sold ((a), (b) and (c) will be referred to as the "**Minimum Investment Criteria**")."

ii. The first sentence in the third paragraph under the sub-heading "Minimum Investment Criteria" on page 13 is replaced with the following:

"Unless an investor can establish to the Manager's satisfaction that another exemption is available, this will generally require that each investor is investing as principal (and not for or on behalf of any other persons) and is either an Accredited Investor or is not an individual and is investing a minimum amount of $150,000."

Subscriptions

The following are changes to the section titled "Subscriptions":

iii. The fourth paragraph under the sub-heading "Subscription Procedure" on page 15 is replaced with the following:

"Orders must be accompanied by a Subscription Agreement in acceptable form and be received by the Administrator either directly from an investor or from an investor's registered dealer no later than 4:00 p.m. (Toronto time) on the 20th calendar day of the month (or the preceding business day prior to the 20th calendar day of the month) (the "**Subscription Date**") in order for the subscription to be accepted as at the current month's Valuation Date; otherwise the subscription will either be rejected (if the Subscription Agreement is not accepted) or processed as at the next month's Valuation Date (if accepted but received later than required)."

iv. The fifth paragraph under the sub-heading "Subscription Procedure" on page 15 is replaced with the following:

"Payment for subscriptions must be received by the Administrator no later than one (1) business day following the Subscription Date."

Distributions

The following are changes to the section on "Distributions":

i. The first sentence under the heading "Distributions" on page 17 is replaced with the following:

"The Manager's current intention is to make monthly distribution payments of the Fund's net income, capital gains and/or return of capital and annually distribute sufficient net income and net realized capital gains (reduced by a capital gains refund or loss carry forwards, if any) in each calendar year to ensure the Fund is not liable for ordinary income taxes."

ii. The second sentence under the heading "Distributions" on page 17 is deleted.

Fees and Expenses

The following replaces the sub-section titled "Redemption Fees" on page 22:

> "If a Unitholder redeems his or her units within the first 18 months from each purchase, the Manager may, in its discretion, charge a redemption penalty equal to 5% of the Net Asset Value of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund.
>
> If a Unitholder redeems his or her units after 18 months to 36 months from each purchase, the Manager may, in its discretion, charge a redemption penalty equal to 2% of the Net Asset Value of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund."

Management Agreement

The first sentence in the first paragraph in the section titled "Management Agreement" on page 23 is replaced with the following:

> "In order to set out the duties of the Manager, the Fund has entered into a master management agreement with the Manager first dated October 22, 2012, as amended and as amended and restated on December 13, 2013, as amended and the Partnership has entered into a management agreement with the Manager dated December 17, 2012, as may be amended from time to time (collectively referred to as the "**Management Agreement**")."

Custodian Agreement

The first sentence in the section titled "Custodian Agreement" on page 24 is replaced with the following:

"The Fund has entered into an agreement for custodial services with Citibank Canada located in Toronto, Ontario, dated September 21, 2012, as amended (the "**Custodian Agreement**")."

Mortgage Administration and Services Agreement

The first sentence in the first paragraph under the subheading "Fees" on page 27 is replaced with the following:

"In consideration of the performance of its services under the Mortgage Administration and Services Agreement, the Mortgage Administrator is entitled to a fee (the "**Mortgage Administrator Fee**") in an amount equal to approximately 2% per annum of the outstanding principal balance of the entire portfolio of mortgages serviced and administered by the Mortgage Administrator under the Mortgage Administration and Services Agreement."

Principal Distributor

The following replaces the section titled "Principal Distributer" on page 29:

"The Manager has engaged Mandeville Private Client Inc. (formerly Portland Private Wealth Services Inc.) and Mandeville Wealth Services Inc. to act as principal distributors of the Fund (the "**Principal Distributors**") pursuant to (i) a distribution agreement between the Manager and Mandeville Private Client Inc. dated as of September 21, 2012, as amended; and (ii) a distribution agreement between the Manager and Mandeville Wealth Services Inc. dated April 17, 2013, as amended, respectively. This agreement gives the Principal Distributors additional marketing and sales support and preferential access to the Manager beyond what is available to other registered dealers. Mandeville Private Client Inc. and Mandeville Wealth Services Inc. are affiliates of the Manager.

The distribution agreements may be terminated by either party on 30 days' prior written notice to the other. The offices of the Principal Distributors are located at 1375 Kerns Road, Suite 200, Burlington, Ontario, L7P 4V7. The phone number for Mandeville Private Client Inc. is 905-331-4255 and Mandeville Wealth Services Inc. is 905-331-4230. The website address for the Principal Distributors is www.mandevilleinc.com."

Canadian Income Tax Considerations and Consequences

The following are changes to the section titled "Canadian Income Tax Considerations and Consequences":

i. The third paragraph under the heading "Canadian Income Tax Considerations and Consequences" on page 31 is replaced with the following:

"The Fund qualifies as a mutual fund trust under the Tax Act. This summary is based on the Fund qualifying as a mutual fund trust under the Tax Act at all material times."

ii. The following sub-heading is added before the heading "Risk Factors" on page 33:

"Tax Information Reporting

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-United States Tax Convention entered into between Canada and the U.S. on February 5, 2014 (the "**IGA**"), and related Canadian legislation, the Fund and the Manager are required to report certain information with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans such as RRSPs), to Canada Revenue Agency ("**CRA**"). It is expected that the CRA will then exchange the information with the U.S. Internal Revenue Service."

Risk Factors

The following are changes to the section titled "Risk Factors":

i. The following is added before the "Marketability and Transferability of Units" risk factor on page 34:

"***Loss Restriction Event***

If the Fund experiences a "loss restriction event" (i) the Fund will be deemed to have a year-end for tax purposes, and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund could be subject to a loss restriction event when a person becomes a "majority-interest beneficiary" of the Fund, or a group of persons becomes a "majority-interest group of beneficiaries" of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all interest in the income or capital, respectively, in the Fund."

ii. The following risk factor on page 34 is deleted:

"Mutual Fund Trust Status

It is intended that the Fund qualify as a "mutual fund trust" for the purposes of the Tax Act effective from the date of its creation and at all times thereafter. However, there can be no assurance that the Canadian federal income tax laws and administrative policies of the CRA respecting the treatment of "mutual fund trusts" and unit trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund fails to meet one or more conditions to qualify as a "mutual fund trust", **the income tax considerations described under "Canadian Income Tax Considerations and Consequences", would, in some respects, be materially different**."

iii. The following risk factor on page 37 is deleted:

"***U.S. Tax Risk***

Pursuant to new United States tax rules, starting in 2013, Unithholders may be required to provide identity and residency information to the Fund, which may be provided by the Fund to United States tax authorities in order to avoid a United States withholding tax being imposed on United States and certain non-United States source income and proceeds of disposition received by the Fund or on certain amounts (including distributions) paid by the Fund to certain Unitholders. By investing in the Fund and, through a registered dealer, by providing identity and residency information, Unitholders are deemed to have consented to the Fund disclosing such information to United States tax authorities."

Corporate Governance

The fifth paragraph under the sub-heading "Independent Review Committee" on page 46 is replaced with the following:

"**Richard M. White** is the external advisor to the Boards of Grason International Sourcing Inc. and Soleil Foodservice Limited, distributors of foodservice products throughout Europe, Russia and Asia. He is also a director and CFO of New Carbon Economy Fund1 LP, a private fund investing in "green" technology companies, in Canada. At the time of his retirement, in 2009, he was Senior Vice President, CFO and a Shareholder Partner of Hunter Keilty Muntz & Beatty Limited, Canada's largest privately owned commercial insurance brokerage offering high-level risk management services throughout Canada. Mr. White still serves as a member of HKMB/Hub International's Industry Council. Prior to joining HKMB in 2001, his career included 30 years' experience in senior roles in telecommunications, manufacturing, server based computing, coin-operated laundry systems and as a Partner at KPMG."

What are Your Legal Rights?

Securities legislation in certain provinces and territories of Canada provides purchasers, or requires purchasers be provided with, a right to cancel their agreement to purchase Units of the Fund or to sue for damages if there is a misrepresentation in this Offering Memorandum. See "Statutory Rights of Action and Rescission" in the Offering Memorandum.

CERTIFICATE

The Offering Memorandum dated December 17, 2012 and as amended by this Amendment No. 1 to the Offering Memorandum, does not contain a misrepresentation.

DATED this 14th day of April, 2015.

Portland Investment Counsel Inc.,
as trustee, manager and promoter of Portland Private Income Fund

"Michael Lee-Chin"	*"Kevin Gould"*
Michael Lee-Chin Director, Executive Chairman, Chief Executive Officer, Chief Investment Officer and Portfolio Manager	Kevin Gould Chief Financial Officer

On behalf of the Board of Directors of Portland Investment Counsel Inc.

"Robert Almeida"	*"Frank Laferriere"*
Robert Almeida Director	Frank Laferriere Director

*This confidential offering memorandum (the "**Offering Memorandum**") constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale.* ***No securities commission or similar regulatory authority in Canada has reviewed this Offering Memorandum or has 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. This Offering Memorandum is confidential and is provided to specific prospective investors for the purpose of assisting them and their professional advisers in evaluating the securities offered hereby and is not to be construed as a prospectus or advertisement or a public offering of these securities. No person is authorized to give any information or make any representation not contained in this Offering Memorandum in connection with the offering of the securities described herein and, if given or made, any such information or representation may not be relied upon.*

Continuous Offering **December 17, 2012**

PORTLAND
INVESTMENT COUNSEL™

PORTLAND PRIVATE INCOME FUND

CONFIDENTIAL OFFERING MEMORANDUM

CONFIDENTIAL OFFERING MEMORANDUM

Dated: December 17, 2012 *Continuous Offering*

THE ISSUER:

Name:	Portland Private Income Fund (the "**Fund**")
Head Office:	1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7
Phone Number:	1-888-710-4242
Email Address:	info@portlandic.com
Currently Listed or Quoted:	**These securities do not trade on any exchange or market.**
Reporting Issuer:	No
SEDAR Filer:	No
FundSERV Eligible:	Yes

THE OFFERING:

Securities Offered:	An unlimited number of multiple series of trust units (each, a "**Unit**" and together, the "**Units**") offered hereby on a continuous basis in Canadian dollars to investors who are resident in the provinces and territories of Canada pursuant to available prospectus exemptions under applicable securities laws. Each Unit within a particular series will be of equal value; however, the value of a Unit in one series may differ from the value of a Unit in another series. Each series shall have the attributes and characteristics as set out under the heading "The Offering".
Price per Security:	On the first date on which Units of a series are issued, Units of that series will be issued at an opening Net Asset Value of $50.00. On each successive date on which Units of that series are issued, the Units may be issued at a Net Asset Value per Unit to be calculated as described under the heading "Net Asset Value".
Minimum/Maximum Offering:	There is no minimum or maximum offering. You may be the only purchaser.
Minimum Subscription Amount:	All investors must meet minimum investment criteria as outlined under "Who Should Invest – Minimum Investment Criteria". Series A Units are available to all investors making a minimum purchase of Units of $1,000. Series F Units are available to all investors making a minimum purchase of Units of $1,000 and who purchase Units through a fee-based account with their registered dealer. Series O Units are available to certain institutional and other investors. See "The Offering".
Payment terms:	The subscription amount (net of any commission payable to the registered dealer, if applicable) is payable within one (1) business day from the placement of an order. No financing of the subscription price will be offered by Portland Investment Counsel Inc.
Proposed Closing Date:	The Fund is offered on a continuous basis.

Income Tax Consequences: There are important tax consequences associated with the ownership of Units. See "Canadian Income Tax Considerations and Consequences".

Selling Agent: None.

RESALE RESTRICTIONS

As there is no market for the Units, it may be difficult or even impossible for a subscriber to sell them other than by way of a redemption of their Units. The Units are also subject to resale restrictions under the Fund's Master Declaration of Trust and applicable securities legislation. See "Transfer or Resale".

These securities are speculative. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss of part or all of their investment. There are additional risk factors associated with investing in the Units. Please see "Risk Factors". Subscribers are urged to consult with independent legal, tax and/or investment advisers and to carefully review the Declaration of Trust (available upon request from Portland Investment Counsel Inc. (the "**Manager**")) prior to signing the subscription agreement for the Units.

The Manager is the trustee and manager of the Fund and will be paid fees for its services as set out herein. Each of the Manager and Portland Private Wealth Services Inc. is a registered dealer participating in the offering of the Units to its clients for which it may receive an initial sales commission with respect to Series A Units and it will receive a trailing commission with respect to Series A Units. The Fund and any related issuers that are managed by the Manager from time to time may be considered to be "connected issuers" of the Manager and Portland Private Wealth Services Inc. under applicable securities legislation. The Manager and Portland Private Wealth Services Inc. are controlled, directly or indirectly, by the same individuals. See "Corporate Governance – Conflicts of Interest".

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THE FUND

Portland Private Income Fund (the "**Fund**") is an open-ended unit trust established by Portland Investment Counsel Inc. (the "**Trustee**") as trustee under the laws of Ontario pursuant to a Master Declaration of Trust dated as of December 17, 2012 (the "**Declaration of Trust**"). The office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario, L7P 4V7. A copy of the Declaration of Trust is available from the Manager upon request.

An investment in the Fund is represented by trust units (the "**Units**"), which may be issued in an unlimited number of series of Units (each a "**Series**"). Only Series A Units, Series F Units and Series O Units have been created to date and offered under this Offering Memorandum. The interest of each holder of Units (a "**Unitholder**") represents the same proportion of the total interest of all Unitholders as the net asset value ("**Net Asset Value**") of Units held by such Unitholder is of the total Net Asset Value of the Fund (except to the extent that Units of each Series may have different distribution entitlements as a result of different fees and other factors).

The Fund has no fixed term. The Fund may be terminated if the Manager determines that it is in the best interest of the Unitholders to do so and may occur on 30 days written notice by the Manager to each Unitholder. See "Termination of the Fund".

The fiscal year end of the Fund is December 31.

THE TRUSTEE

The Trustee is a corporation formed under the laws of Ontario. The Trustee has ultimate responsibility for the business and undertaking of the Fund in accordance with the terms of the Declaration of Trust. The Trustee has engaged the Manager to manage the Fund on a day-to-day basis, including management of the Fund's portfolio and distribution of the Units of the Fund.

THE MANAGER

The Trustee has engaged Portland Investment Counsel Inc. (the "**Manager**") to direct the day-to-day business, operations and affairs of the Fund, including management of the Fund's portfolio on a discretionary basis and distribution of the Units of the Fund. The Manager may delegate certain of these duties from time to time. See "Management Agreement".

The Manager is a corporation formed under the laws of Ontario. The principal place of business of the Manager is 1375 Kerns Road, Suite 100, Burlington, Ontario, L7P 4V7.

Certain senior officers and directors of the Manager and/or its affiliates and associates may purchase and hold Units of the Fund and the securities of related issuers and underlying funds from time to time. These Units may represent a material proportion of the Fund.

Christopher Wain-Lowe is the individual with the Manager who is principally responsible for selecting investments for the Fund.

Christopher Wain-Lowe

Christopher Wain-Lowe joined Portland Investment Counsel Inc./AIC Limited as Senior Vice-President in October 2002 and became a Portfolio Manager in March 2003. In June 2009, Christopher became Executive Vice-President and Portfolio Manager. Christopher has over 30 years of business management and global financial services experience. He was the Managing Director of National Commercial Bank Jamaica Limited prior to October 2002 and the Managing Director of Barclays Bank of Botswana Limited from August 1997 to September 2000. He was the Head of Barclays PLC Group Career Development from November 1995 to August 1997 and the General Manager of Barclays' business in Greece prior to November 1995.

THE PARTNERSHIP

The Fund is a limited partner of Portland Private Income LP (the "**Partnership**"). The Fund became a limited partner of the Partnership (a "**Limited Partner**") by acquiring non-voting interests in the Partnership designated as Class B Units. The Partnership has issued one (1) Class A (voting) Unit to Portland General Partner (Ontario) Inc. The Partnership may accept additional limited partners at the discretion of the General Partner.

The Partnership was formed under the laws of Ontario and became a limited partnership by filing a Declaration of Limited Partnership under the *Limited Partnerships Act (Ontario)* (the "**Partnership Act**") on December 17, 2012. The Partnership is governed by a limited partnership agreement dated as of December 17, 2012 (the "**Limited Partnership Agreement**") made between Portland General Partner (Ontario) Inc. (the "**General Partner**") and the Fund (the "**Initial Limited Partner**"). The principal place of business of the Partnership and the General Partner is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7. A copy of the Limited Partnership Agreement is available from the Manager upon request.

The Partnership has no fixed term. Dissolution may only occur on 30 days written notice by the Manager to each Limited Partner, or 60 days following the removal of the General Partner.

The fiscal year end of the Partnership is December 31.

THE GENERAL PARTNER

The General Partner was incorporated under the *Business Corporations Act (Ontario)* on December 11, 2012. The General Partner may act as general partner of other limited partnerships, but does not presently carry on any other business operations and currently has no significant assets or financial resources. The General Partner, the Manager and the principal distributer are controlled directly or indirectly by Michael Lee-Chin. Michael Lee-Chin is a director of the General Partner and an officer of the Manager. See "The Manager" and "Principal Distributer".

The General Partner is generally responsible for management and control of the business and affairs of the Partnership in accordance with the terms of the Limited Partnership Agreement. The General Partner has engaged the Manager to carry out its duties, including management of the Partnership on a day-to-day basis, management of the Partnership's portfolio and distribution of the Units of the Partnership, but remains responsible for supervising the Manager's activities on behalf of the Partnership. The General Partner may also purchase Units.

INVESTMENT OBJECTIVE AND STRATEGIES

Investment Objective of the Fund

The investment objective of the Fund is to preserve capital and provide income and above average long-term returns.

Investment Strategies of the Fund

The Fund intends to achieve its investment objective by investing all, or substantially all, of its net assets in the Partnership. Although the Fund intends to invest all, or substantially all, of its net assets in the Partnership, the Manager may from time to time determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities and/or investment in other pooled investment vehicles. To the extent the Fund makes direct investments, it will apply the investment strategies of the Partnership set out below.

Investment Objective of the Partnership

The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities.

Investment Strategies of the Partnership

To achieve the investment objective, the Manager may:

(a) invest in a portfolio of private income generating securities, either directly or indirectly through other funds, initially consisting of:

  (i) private mortgages, administered by licensed mortgage administrators;

  (ii) private commercial debts, a portion of which may have provisions resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;

  (iii) other debt securities, a portion of which may have provisions resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur; and

(b) invest in complementary income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt.

To a lesser extent, derivatives may also be used on an opportunistic basis in order to meet the Partnership's investment objective. Derivatives may limit or hedge potential losses associated with currencies, specific securities, stock markets and interest rates or be used to generate income. Derivatives may include forward currency agreements and options. Short sale positions may be used to profit from the expected decline in valuations of overvalued securities or to hedge the Partnership's long positions.

In addition, the Partnership may borrow up to 25% of the total assets of the Partnership after giving effect to the borrowing.

The Partnership may invest in investment funds, exchange-traded funds ("**ETFs**") and mutual funds (collectively referred to as the "**Underlying Funds**") which may or may not be managed by the Manager or one of its affiliates or associates. The Partnership may hold cash in short-term debt instruments, money market funds or similar temporary instruments, pending full investment of the Partnership's capital and at any time deemed appropriate by the Manager.

The Partnership has no geographic, industry sector, asset class or market capitalization restrictions. There is no restriction on the percentage of the Net Asset Value of the Partnership which may be invested in the securities of a single issuer.

General

The above-described investment strategies which may be pursued by the Fund and Partnership are not intended to be exhaustive and other strategies may also be employed. The actual strategies utilized by the Manager will depend upon its assessment of market conditions and the relative attractiveness of the available opportunities. The Manager may, in its sole and absolute discretion, use strategies other than those described above or discontinue the use of any strategy without advance notice to the Fund and Partnership. Changes to the investment objective and strategies of the Fund and Partnership can be made without prior approval of the Unitholders. Additionally, the Fund and Partnership may invest in securities with which the Manager or its affiliates have a current or previous affiliation.

There can be no assurances that the Fund and Partnership will achieve their investment objectives.

MARKET OPPORTUNITIES

The Partnership is seeking to provide 'enabling' capital to businesses that are typically below the radar of large chartered banks.

The Manager believes that the volatility in global markets over the last several years has reduced capital available to certain speciality finance companies and other capital providers, causing a reduction in competition and generally more favourable capital structures and deal terms for lenders. These market conditions may continue to create opportunities to achieve attractive risk-adjusted returns.

The commercial mortgage market in Canada is segmented into tiers that reflect the desirability of commercial mortgages as tier-one, mid-tier or other by the large lending institutions in Canada. Several business and project specific factors influence this segmentation. The business factors vary from time to time and by region amongst the large lending institutions and include geographical preferences and concentration issues, other business objectives, relationships with borrowers, risk tolerance, cost of funds, size of mortgages, and other financial criteria inherent to each individual lender. Project specific factors include the stage of project development, borrower profile and experience, market factors, the amount of borrower equity, levels of presales and/or pre-leasing, existence of mortgage insurance and clarity of exit and repayment strategies. These factors when ranked by each lender determine the tiered structure of the industry and the pricing and availability of capital to borrowers throughout the market place. As such, it is quite common to have similar projects considered as either tier-one and/or mid-tier by different lenders and to have the same project evolve from a lower-tier to a tier-one ranking project and for it to attract new and different lenders as the project moves through the various development stages of land acquisition, predevelopment, infrastructure, construction, and finally the selling cycle. As a result, in Canada's most populated cities, major institutions, chartered banks and trust companies compete for the tier-one, high

volume, secured or insurable loan opportunities with an oversupply of capital to opportunities. In all other markets, there exists a near constant imbalance of capital to demand for commercial mortgage funds for mid-tier development and construction projects. In these markets, the Mortgage Administrators (described below) and other private lenders compete for lower volume, development and construction loan opportunities with a usual oversupply of opportunities to appropriately priced capital.

Similarly, the Manager believes, chartered banks are reluctant or slow to decide to lend so that there exists, a near constant imbalance of capital to demand for a wide array of private debt transactions for medium sized companies across all industry sectors.

The Manager believes that many traditional bank lenders have, in recent years, de-emphasized their service and product offerings to middle-market business in favour of lending to large corporate clients and managing capital markets transactions. In addition, these bank lenders are limited in their ability to underwrite and syndicate bank loans and high yield securities for middle-market issuers as they seek to build capital and meet regulatory capital requirements. These factors may result in opportunities for alternative funding sources to middle-market companies and therefore more new-issue market opportunities for the Partnership.

The Manager believes that there is a lack of market participants that are willing to not only underwrite but also hold loans. As a result, the Manager believes, the Partnership's intention to minimize syndication risk for a company seeking financing by being able to hold loan investments without syndicating them would be a competitive advantage.

For instance, relatively few secondary debt firms remain in Canada and barriers to entry are high after the recent global financial crisis. The Manager believes the difficulty experienced by companies in obtaining senior debt creates a profitable opportunity for direct or indirect debt deals for the Partnership.

Notwithstanding the focus on Canada, the Manager also intends to seek opportunities overseas where the Manager believes prevailing economic conditions are favourable, the private capital markets are similarly attractive and the Manager has direct, or access to, previous relevant experience.

INVESTMENT AND OPERATING POLICIES OF THE PARTNERSHIP

Management of the Partnership

An investment goal of the Manager is to make prudent investments in private debt securities. To help address this goal the Manager will employ specialists who are prepared to co-invest including, but not limited to, Mortgage Administrators and Specialty Investment Managers as detailed below.

A **Mortgage Administrator** is responsible for servicing and administering mortgages throughout their term on behalf of the Partnership pursuant to a Mortgage Administration and Services Agreement. See "The Mortgage Administrators".

Specialty Investment Managers will be selected by the Manager from time to time for their perceived: (i) investment underwriting skills; (ii) ability to identify and execute investments suitable for the Partnership; (iii) ability to guide and manage an attractive portfolio of primarily middle-market companies (the "**Financed Companies**") in which the Partnership will either directly or indirectly finance via commercial loans or other debt securities and; (iv) ability to determine the appropriate time and terms upon which to exit the investments in Financed Companies. See "Speciality Investment Managers".

Mortgages

In addition to the investment strategies described under "Investment Objective and Strategies – Investment Strategies of the Partnership", the Manager will employ investment and operating policies and restrictions on mortgages that the Partnership may make as follows:

- the Partnership may be invested in mortgages, and subordinated mortgages, deeds of trust, charges or other security interests of, or in Real Property. "**Real Property"** means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise) and interests in and to any of the foregoing;

- the majority of mortgages are currently expected to be up to $30 million with the larger concentration being between $1.5 million and $20 million;

- mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees;

- mortgages are generally expected to be written for a principal amount at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying Real Property securing the mortgage;

- the Partnership may assign all or a portion of a mortgage or mortgages held by it (the "**Assigned Portion**") to one or more arms length third party lenders (the "**Assignee Lender(s)**") for value. If a portion of such mortgage or mortgage(s) (the "**Retained Portion**") is retained by the Partnership, the Partnership may enter into an agreement with the Assignee Lender(s) as to relative ranking of the Assigned Portion and the Retained Portion;

- the Partnership may participate in investments on a syndicated basis with others, including a Mortgage Administrator and their affiliates and associates;

- to manage and diversify risk, a Mortgage Administrator may syndicate investments in which the Partnership participates with one or more lenders. All such syndicated mortgages may initially be funded by the Partnership with mortgagors at a specified interest rate and a portion of the mortgage may then be syndicated to a financial institution or other lenders sourced by the Mortgage Administrator. Syndication may be on a pari passu basis or on a subordinated basis. Syndicating reduces the Partnership's exposure in respect of any one investment;

- when making an investment in, or an acquisition of, a mortgage or other investment, the Manager may, in its sole discretion, but will not be obliged to, obtain or review an independent appraisal from a person who is an appraiser accredited or licensed by the Appraisal Institute of Canada or any successor thereof (a "**Qualified Appraiser**") of, and/or a "**Phase I Environmental Audit**" (i.e. an evaluation of Real Property for purposes of environmental analysis performed solely on the basis of historical records without invasive sampling or drillings from such property) on, the underlying Real Property which is the primary security for the mortgage or other investment, and may or may not obtain additional independent appraisals or audits of the underlying property or any additional collateral and other properties securing the mortgage or other investment;

- in addition, in its sole discretion, the Manager may rely upon an independent appraisal from a Qualified Appraiser and/or a Phase I Environmental Audit in respect of the subject property that has been provided to the Partnership from the Mortgage Administrator;

- the Partnership's interest in each mortgage investment will be held by legal title and registered in the name of the Mortgage Administrator on behalf of the Partnership as mortgage administrator and bare trustee of the investment; and

- the determined value relied upon for purposes of making a mortgage investment need not be on an "as is" basis and may be based on stated conditions, including without limitation, completion, rehabilitation, sale or lease-up of improvements located on the Real Property.

Commercial Loans

In addition to the investment strategies described under "Investment Objective and Strategies – Investment Strategies of the Partnership" above, the Manager will employ investment and operating policies and restrictions on commercial loans and other debt securities that the Partnership may enter into directly or indirectly as follows:

- the Partnership may be invested in first and second lien senior loans, term mezzanine debt and bridge loans, consisting of secured senior and subordinated debentures plus participation rights which are often in the form of gifted equity or deferred interest;

- first and second lien senior loans and mezzanine debt are typically term loans of 3 to 10 years with amortization and with expected general terms being between 3 to 7 years, whereas bridge loans are typically less than 1 year;

- the Manager's highest priority in making first and second lien senior loans, mezzanine debt and bridge loan investments is to seek to ensure that the invested capital is safe. The Manager seeks to accomplish this objective either directly or indirectly through credit underwriting which focuses on the viability of the business and the expected realization of the security in the event an investment does not perform as expected. The Manager seeks to protect the Partnership's position either directly or indirectly through disciplined investment management, active management, protective covenants and priority agreements;

- the Manager believes that strong management, real cash flow, controlled balance sheet leverage and the ability, either directly or indirectly, to negotiate the appropriate entry price point are the primary drivers of value creation. The Manager would ordinarily expect the leverage of Financed Companies to be controlled at or below a ratio of 5x debt/EBITDA[1] and more generally less than 4.5x debt/EBITDA;

- the Manager currently expects a typical Financed Company would be generating EBITDA of $5 million to $15 million although Financed Companies could be generating EBITDA of up to $250 million;

[1] Earnings before interest, taxes, depreciation and amortization

- each commercial loan is expected to have a substantial cash yield which generally would represent over half the expected return. The cash yield on a commercial loan may be enhanced by participation features based on either equity or cash flow performance in order to seek a base level of returns while maintaining upside potential; and

- the Partnership may participate in investments on a syndicated basis with others, including a Specialty Investment Manager and their affiliates and associates.

Amendments to Investment & Operating Policies

The investment and operating policies of the Partnership set out above may be amended, supplemented or replaced from time to time by the Manager in its sole discretion. If at any time a government or regulatory authority having jurisdiction over the Partnership or any property of the Partnership enacts any law, regulation or requirement which is in conflict with any investment or operating policy of the Partnership then in force, such policy will be deemed to have been amended to the extent necessary to resolve any such conflict.

Collection Activities

A Mortgage Administrator is expected to provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims of the Partnership with respect to the Partnership's beneficial ownership in each mortgage, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Partnership's interests.

A Specialty Investment Manager is expected to provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims on a Financed Company within an Underlying Fund managed by the Specialty Investment Manager, including collection proceedings and otherwise enforcing secured loans and other liens and security interests securing the Underlying Fund's investment interests.

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

Statutory Caution

The foregoing disclosure of the Manager's investment strategies, investment and operating policies and intentions may constitute "forward-looking information" for the purpose of applicable securities legislation, as it contains statements of the Manager's intended course of conduct and future operations of the Fund and Partnership. These statements are based on assumptions made by the Manager about the success of its investment strategies in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market conditions. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are urged to read "Risk Factors" below for a discussion of other factors that will impact the operations and success of the Fund and Partnership.

THE MORTGAGE ADMINISTRATORS

The Manager will select Mortgage Administrators which it believes administer mortgages for real estate projects that are of high quality with the expectation of experienced strong management, tangible security, an achievable business plan and above average risk adjusted returns. A Mortgage Administrator acts as an intermediary between individual investors, institutional investors and other lending entities wishing to fund private mortgage opportunities with experienced builders and developers who need predictable access to mortgage capital. A Mortgage Administrator offers the developer 'enablement capital' to move its projects forward so that it can implement its business plan while the Mortgage Administrator takes a security interest in the project on behalf of lenders.

MarshallZehr Group Inc.

MarshallZehr Group Inc. ("**MZG Inc.**") is a Mortgage Administrator selected by the Manager to be responsible for servicing and administering mortgages throughout their term on behalf of the Partnership. MZG Inc. is a corporation formed under the laws of Ontario in 2008. MZG Inc. is a privately held real estate lending firm and a licensed mortgage agent and a mortgage administrator under the *Mortgage Brokerages, Lenders and Administrators Act, 200*6 (Ontario) ("**MBLAA**"). The office of MZG Inc. is located at 465 Phillip Street, Suite 206, Waterloo, Ontario, N2L 6C7. MZG Inc. performs mortgage brokerage services, through its carrying broker Clarity Mortgage Inc., on behalf of the Partnership pursuant to the Mortgage Administration and Services Agreement. See "Mortgage Administration and Services Agreement". Each mortgage is an independent mortgage opportunity that the Manager decides on behalf of the Partnership to participate in as a lender and as a beneficial owner (i.e. a mortgagee).

MZG Inc. was created just as the credit market was starting to collapse prior to 2008. Investors were increasingly interested in secured alternative investments that were not directly tied to the world capital market's woes, while regional real estate builders and developers were looking for capital that the banks were no longer as willing to provide. MZG Inc. believes that many of these regional builders and developers were experiencing commercial success, in spite of facing substantial challenges in acquiring mortgage financing. MZG Inc. has since continued to assist quality regional builders and developers seeking financing as well as lenders seeking secure real estate projects to invest in. MZG Inc's clientele has grown and currently administers nearly $300 million in private and institutional capital invested in mortgages.

MZG Inc. believes that through its extensive business experience and specialized knowledge in the commercial, finance and real estate industries, it is able to provide attractive yields by actively structuring and administering mortgage loans selected for their strong returns and robust risk profile. The Manager believes that the mortgage loans presented by MZG Inc. should provide attractive investments for the Partnership with secured regional real estate investments in the form of mortgage debt. MZG Inc. provides capital to real estate projects that, it believes, are of high quality and that have experienced strong management, tangible security, an achievable business plan and the potential for above average risk adjusted returns. MZG Inc. provides capital to developers and builders from its private and institutional capital sources. Individual mortgage transactions are currently typically less than $30 million. MZG Inc. is considering mostly dynamic, high growth geographies/niches that may be outside the focus of other lenders, servicing smaller, higher yielding loans, and believes it is mitigating downside risk by dealing mainly with real estate transactions where it has direct experience with partners with a long-term track record. MZG Inc. believes the short-term nature of construction project financing further reduces risk, removing much of the market cycle uncertainty inherent in traditional long-term lending.

MZG Inc. intends to provide the Partnership with a blend of mortgages including large volume, capital construction financing mortgage opportunities with terms generally up to 36 months.

The following table illustrates the performance details of MZG Inc.'s portfolio as of September 30, 2012. If the Partnership had invested in MZG Inc.'s private mortgage portfolio, the returns relating to the investment in the private mortgage portfolio would be lower due to the Fund and Partnership's fees and expenses. See "Fees and Expenses".

	1 Year	**3 Year**	**Since Inception (March 1, 2009)**
Historical Return for MZG Inc.'s private mortgage portfolio*	11.51%	11.50%	11.30%

*Unaudited average annual compounded time-weighted rate of return calculated under cash basis accounting on the syndicated private mortgage portfolio, sourced from MZG Inc.

MarshallZehr Group Inc.'s Management Team

David Marshall, Managing Director and Founder

David brings with him 21 years experience in the financial services industry with experience in all aspects of business development, project leadership, due diligence and credit review. David's financial services experience includes mortgage origination commercial leasing, consumer finance, institutional portfolio management (sales and marketing) and vendor finance. David holds a B.A. from Wilfrid Laurier University and the Canadian Investment Manager (CIM) designation through the Canadian Securities Institute. David is a licensed Mortgage Agent licensed with Financial Services Commission of Ontario ("**FSCO**").

Gregory Zehr, Managing Director and Founder

Gregory brings 20 plus years of experience in business and real estate to MZG Inc. His experience in both the United States and Canada includes building and selling businesses in addition to executive leadership roles. Gregory's experience spans several industries including lending, insurance, real estate and international call centres. He has also owned and managed privately held investment and real estate development companies for over 20 years. Gregory holds a B.Sc. in marketing from Bentley College in Waltham, Massachusetts. Gregory is a licensed Mortgage Agent licensed with FSCO.

SPECIALTY INVESTMENT MANAGERS

The Manager will invest the Partnership's assets in investment products managed by Specialty Investment Managers which it believes have disciplined investment philosophies that are similar to its own. Specifically, the Manager would expect a Specialty Investment Manager's philosophy, portfolio construction and portfolio management to involve an assessment of the overall macro-economic environment and financial markets and company-specific research and analysis. The Manager would expect a Specialty Investment Manager's investment approach to emphasize capital preservation, low volatility and minimization of downside risk. In addition to engaging in due diligence from the perspective of a long-term investor, the Manager would seek a Speciality Investment Manager that would focus on:

- businesses with strong franchises and sustainable competitive advantages;

- industries with positive long-term dynamics;
- businesses and industries with cash flows that are dependable and predictable;
- management teams with demonstrated track records and appropriate economic incentives;
- rates of returns commensurate with the perceived risks;
- securities or investments that are structured with appropriate terms and covenants; and
- businesses backed by experienced private equity sponsors.

The Partnership may also co-invest directly in commercial loans with a Specialty Investment Manager.

Crown Capital Partners Inc.

Crown Capital Partners Inc. ("**Crown Capital**") is a Speciality Investment Manager selected by the Manager. Crown Capital is a corporation formed under the laws of Canada. It was founded in 2000 by Crown Life Insurance Company to manage the private equity and mezzanine debt investments of Crown Life Insurance Company and currently remains minority owned by its management partners. Crown Capital has extensive contacts across Canada with a focus on western Canada. In 2011, Crown Capital entered into a strategic partnership with Hesperian Capital Management Ltd. ("**Hesperian**"), whereby Hesperian acquired a majority interest in Crown Capital on December 31, 2011. Crown Capital is currently providing alternative debt financing for private equity backed and non-sponsored middle market transactions from offices in Toronto and Calgary. Crown Capital's management team has directed three special situation debt funds which include the completion of 28 secondary debt transactions since 2002 which it estimates achieved an average gross internal rate of return of approximately 18%. Recently, Crown Capital launched a new offering, the Norrep Credit Opportunities Funds II, L.P. which was closed for subscriptions on October 31, 2012.

The Manager believes secondary debt plays an important role in the economy by bridging the financing gap between senior debt and equity capital. Secondary debt transactions are typically event-driven and as such Crown Capital targets the following types of situations:

- growth financing – where there is internal growth potential that exceeds the existing capital base;
- strategic acquisitions – creating an accretive capital structure;
- management or leveraged buyouts – building a structure that maximizes the incentive for the management team; and
- recapitalizations – where access to conventional financing is restrictive and the cost of equity is punitive.

Private capital markets are inherently inefficient as market information is not readily available and liquidity is limited. Deals need to be originated and exclusively negotiated and Crown Capital has over ten years experience operating in the Canadian middle market. Crown Capital has relationships with corporate finance advisors, bankers, legal professionals, accounting firms and investment funds and these

relationships facilitate and, in some instances, secure deal opportunities. Crown Capital believes the absence of meaningful competition normally results in a wide selection of investment opportunities and higher than normal returns.

Although Canada's economy was not immune to the global economic recession, its larger banks have continued to profit by reducing risks, cutting costs, and continually restructuring their business. As these banks continue to retrench and focus on their core business, alternative debt lenders have a significant opportunity to fill the credit void. Crown Capital believes these opportunities are even more prevalent as Canadian pension funds have pulled back from funding independent alternative lenders which has resulted in established funds closing their doors, creating an even greater imbalance of supply and demand for credit.

Crown Capital's team specializes in financing solutions featuring both subordinated term and bridge loans. By looking through to the true value of an underlying business, Crown Capital believes it may provide that business with leverage that is not as quickly available from traditional financing. Crown Capital typically invests $5 million to $25 million in any one transaction and is capable of financing significantly larger transactions. Competition is limited in secondary debt lending and Crown Capital believes current market conditions are attractive given a recovering economy and cyclically low leverage multiples.

Crown Capital offers specialist management expertise to invest in secondary debt opportunities and has demonstrated a strong track record. The following charts illustrate the transactions Crown Capital has managed since inception until April 20, 2012, across both industry and geographic sectors.

*Source: Crown Capital Partners Inc. Norrep Credit Opportunities Fund II, L.P. unaudited Investor Presentation April 20, 2012

Crown Capital Partners Inc.'s Management Team

Christopher Johnson, President and Chief Executive Officer

Christopher has been with Crown Capital since inception. Prior to joining Crown Capital, Christopher was an Investment Manager for Crown Life Insurance Company. In this role, Christopher was responsible for the investment management of Crown Life's equity and fixed income investments, asset liability management, and derivative management. Christopher joined Crown Life in 1997. Christopher holds a Bachelor of Commerce (Honours) from the University of Guelph and the Chartered Financial Analyst designation.

Brent Hughes, Executive Vice President

Brent has been with Crown Capital since 2001. Prior to joining the Crown Capital, Brent was an Investment Analyst at Saskatchewan Opportunities Corporation. Brent holds a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan, a M.Sc. in Finance from Concordia University, and the Chartered Financial Analyst designation.

WHO SHOULD INVEST

The Fund is designed to attract investment capital which is surplus to an investor's basic financial requirements.

The Fund intends to qualify for investment in registered plans. (See "Canadian Income Tax Considerations and Consequences – Registered Plans" and "Risk Factors – Risks Associated with an Investment in the Fund and/or Partnership – Mutual Fund Trust Status").

Minimum Investment Criteria

Units are being offered on a continuous basis to investors resident in the provinces and territories of Canada who (a) are accredited investors under National Instrument 45-106 – Prospectus and Registration Exemptions (an "**Accredited Investor**"), (b) who invest a minimum of $150,000 in the Fund, or (c) to whom Units may otherwise be sold ((a), (b) and (c) will be referred to as the "**Minimum Investment Criteria**"). In the event applicable securities legislation, regulations or rules change in the future such that one or more of the exemptions described below are no longer available, the Fund will cease offering Units pursuant to such exemptions, but may continue offering Units to investors pursuant to other exemptions which are or remain available.

A list of criteria to qualify as an Accredited Investor is set out in the subscription agreement ("**Subscription Agreement**") delivered with this Offering Memorandum and generally includes individuals who have net assets of at least $5,000,000, or financial assets of at least $1,000,000, or personal income of at least $200,000, or combined spousal income of at least $300,000 in the previous two years with reasonable prospects of same in the current year, or an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a registered adviser or dealer.

Unless an investor can establish to the Manager's satisfaction that another exemption is available, this will generally require that each investor is investing as principal (and not for or on behalf of any other persons) and is either an Accredited Investor or is investing a minimum amount of $150,000. This minimum amount is net of any initial sales commissions paid by an investor to his or her registered dealer. An investor (other than an individual) that is not an Accredited Investor, or is an Accredited

Investor solely on the basis that they have net assets of at least $5,000,000, must also represent to the Manager (and may be required to provide additional evidence at the request of the Manager to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor. Purchasers will be required to make certain representations in the Subscription Agreement and the Manager will rely on such representations to establish the availability of the exemptions. No subscription will be accepted unless the Manager is satisfied that the subscription is in compliance with applicable securities laws.

Irrespective of the foregoing, the minimum initial investment in Units is outlined below. See "The Offering".

THE UNITS

The Fund may issue an unlimited number of Units in an unlimited number of series. Each issued and outstanding Unit of a class shall be equal to each other Unit of the same class with respect to all matters. The respective rights of the holders of Units of each series will be proportionate to the Net Asset Value of such series relative to the Net Asset Value of each other series. Each Unit carries with it a right to vote, with one vote for each $1.00 of Net Asset Value attributed to such Unit (the Net Asset Value of all Units held by a Unitholder shall be aggregated for the purpose of determining voting rights). Fractional Units may be issued.

On the first closing, Units of each series will be issued at a Net Asset Value per Unit of $50. All changes in Net Asset Value (i.e., all income and expenses, and all unrealized gains and losses) of the Fund shall be borne proportionately by each series of Units based on their respective Net Asset Values, except as follows: (i) subscription proceeds received by the Fund in respect of a series of Units shall accrue to the Net Asset Value of such series; (ii) all redemption proceeds paid out by the Fund in respect of a Unit of a series shall be deducted from the Net Asset Value of such series; and (iii) fees payable to the Manager and all other fees and expenses incurred in respect of a Unit of a series shall be deducted from the Net Asset Value of such series. The Net Asset Value per Unit of a series shall be calculated by dividing the Net Asset Value of such respective series by the number of Units of such series then outstanding.

The Manager may in its discretion create different series of Units. Each series may be subject to different fees and may have such other features as the Manager may determine. The Manager may redesignate a Unitholder's Units from one series to another (and amend the number of such Units so that the Net Asset Value of the Unitholder's aggregate holdings remains unchanged).

THE OFFERING

Units are being offered on a continuous basis to investors who meet the Minimum Investment Criteria. Units may be distributed through registered dealers (including the Manager in its capacity as an exempt market dealer and Portland Private Wealth Services Inc., an affiliate of the Manager). The Manager has designated three series of Units:

- **Series A Units** are available to all investors who invest a minimum of $1,000. Series A Units are charged a management fee of 0.50% per annum and a trailer fee of 1.0% per annum.

- **Series F Units** will generally only be issued to investors who invest a minimum of $1,000 and who purchase their Units through a fee-based account with their registered dealer. Series F Units are charged a management fee of 0.50% per annum.

- **Series O Units** may be issued to certain institutional or other investors. Series O Units are charged a negotiated management fee as agreed upon with the Manager.

The initial minimum investment in the Units may be adjusted or waived in the Manager's absolute discretion and without notice to investors. There are additional costs associated with investment in Units. See "Fees and Expenses" and "Dealer Compensation".

SUBSCRIPTIONS

Minimum Initial and Additional Subscriptions

The minimum initial subscription for an investor is as described under "The Offering".

Each additional investment must be in an amount that is not less than $500 or such other amount as the Manager may determine in its discretion. For investors who are not Accredited Investors, the additional investment must be in an amount that is not less than $500 if the investor initially acquired Units for an acquisition cost of not less than $150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a net asset value equal to at least $150,000, or another exemption is available.

These minimums are net of any initial sales commissions paid by an investor to his or her registered dealer.

Subscription Procedure

Subscriptions for Units must be made by completing and executing the Subscription Agreement and by forwarding such form together with payment by the options as outlined therein to Citigroup Fund Services Canada, Inc. (the "**Administrator**").

Subscriptions will be processed monthly on the last business day (that is, the last business day on which the Toronto Stock Exchange is open for trading) of each month and such other business day or days as the Manager may in its discretion designate (each, a "**Valuation Date**").

Units of the Fund can be purchased directly through an authorized registered dealer (including the Manager in its capacity as an exempt market dealer). An investor may purchase Units by sending the purchase amount to his or her registered dealer. The price of a Unit is the applicable Net Asset Value per Unit determined on the Valuation Date (initially $50).

Orders must be accompanied by a Subscription Agreement in acceptable form and be received by the Administrator either directly from an investor or from an investor's registered dealer no later than 4:00 p.m. (Toronto time) on the Valuation Date in order for the subscription to be accepted as at that Valuation Date; otherwise the subscription will either be rejected (if the Subscription Agreement is not accepted) or processed as at the next Valuation Date (if accepted but received later than required).

Payment for subscriptions must be received by the Administrator no later than one (1) business day following the Valuation Date.

All subscriptions for Units will be made through the purchase of interim subscription units at a fixed Net Asset Value per Unit of $50. Subject to the foregoing and following the calculation of the Net Asset Value of each series of Units on the applicable Valuation Date, the interim subscription units will be automatically switched into the appropriate number of Units of the applicable series of Units as per each Unitholder's Subscription Agreement. The number of Units of the applicable series will be the amount paid for the Units (less any sales commissions) divided by the applicable series Net Asset Value per Unit determined as at the applicable Valuation Date following which the subscription is accepted. An initial purchase confirmation will be issued once payment is received confirming receipt of the interim subscription while a subsequent confirmation will confirm the final number of Units issued upon acceptance as a Unitholder. The number of interim subscription units will be different from the final number of Units purchased. These interim subscription units are not redeemable.

Subscription funds provided prior to a Valuation Date will be kept in a designated bank account created for such purpose. Subscriptions for Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. In the event a subscription is rejected, any subscription funds forwarded by the subscriber will be returned without interest or deduction.

SWITCHES OF UNITS

Subject to the consent of the Manager, Unitholders may switch all or part of their investment in the Fund from one series of Units to another series if the Unitholder is eligible to purchase that series of Units. Upon a switch from one series of Units to another series, the number of Units held by the Unitholder will change since each series of Units has a different Net Asset Value per Unit.

Generally, switches between series of Units are not dispositions for tax purposes. However, Unitholders should consult with their own tax advisors regarding any tax implications of switching between series of Units.

TRANSFER OR RESALE

A Unitholder may, without charge and with the consent of the Manager, transfer all or any of the Units owned by him or her by delivering to the Administrator a request for transfer in a form acceptable to the registrar and transfer agent of the Fund, together with such evidence of the genuineness of each such endorsement execution and authorization and of such other matters (including that the transfer is being made in compliance with all applicable securities legislation) as may be reasonably required by such registrar and transfer agent. See "Administrator". A transfer will not be effective unless and until it is recorded on the register of Unitholders. Unitholders should consult with their own tax advisors regarding any tax implications in connection with transferring Units.

Subscribers are advised to consult with their advisers concerning restrictions on resale and are further advised against reselling their Units until they have determined that any such resale is in compliance with the requirements of applicable legislation and the Declaration of Trust.

REDEMPTIONS

An investment in Units is intended to be a long-term investment. Unitholders may redeem their Units, however, on any Valuation Date by submitting a request for redemption, in a form acceptable to the Administrator through their registered dealer or directly to the Administrator no later than the day that

is 60 days prior to the Valuation Date in order for the redemption to be accepted as at that Valuation Date; otherwise the redemption will be processed as at the next Valuation Date.

The redemption price shall equal the Net Asset Value per Unit of the applicable series of Units being redeemed, determined as of the close of business on the relevant Valuation Date as described under the section "Net Asset Value". Unless redemptions have been suspended (which may only occur in the circumstances set out below), payment of redemption proceeds will be made by the Manager within ten (10) business days following the relevant Valuation Date.

Redemptions within 36 months of initial purchase are subject to a redemption fee. See "Fees and Expenses".

The Fund may suspend the redemption of Units or postpone the date of payment of redeemed Units (a) for any period when normal trading is suspended on any stock, options, futures or other exchange or market within or outside Canada on which securities are listed and traded, or on which permitted derivatives are traded, which represent more than 50% by value or underlying market exposures of the public securities of the Fund, without allowance for liabilities or (b) at any time that the Manager is unable to value or dispose of the assets of the Fund. In case of a suspension of a right of redemption, a Unitholder will receive redemption proceeds based on the Net Asset Value per Unit on the first Valuation Date following the termination of the suspension unless the redemption request has been withdrawn earlier by the Unitholder.

The Manager has the right to require a Unitholder to redeem some or all of the Units owned by such Unitholder on a Valuation Date at the Net Asset Value per Unit thereof, by notice in writing to the Unitholder given at least ten (10) business days before the designated Valuation Date, which right may be exercised by the Manager in its absolute discretion.

DISTRIBUTIONS

The Manager's current intention is to make quarterly distribution payments of the Fund's net income and annually distribute sufficient net income and net realized capital gains (reduced by a capital gains refund or loss carry forwards, if any) in each calendar year to ensure the Fund is not liable for ordinary income taxes. Notwithstanding the foregoing, distributions may be a combination of income, capital gains and return of capital. The Fund may also make such other distributions out of net income, capital gains and/or return of capital at such time or times as the Manager, in its sole discretion, determines. All distributions by the Fund will be automatically reinvested in additional Units of the same series of the Fund held by the Unitholder at the Net Asset Value thereof, unless the Unitholder notifies the Manager in writing that it wishes to receive such distributions in cash. See "Canadian Income Tax Considerations and Consequences".

NET ASSET VALUE

The Net Asset Value of the Fund and the Net Asset Value per Unit of each series of Units will be determined as of 4:00 p.m. (Toronto Time) on each Valuation Date by the Administrator in accordance with the Declaration of Trust.

The Net Asset Value per Unit of each series shall be determined (after deduction of series-specific fees, expenses and other deductions) by dividing the Net Asset Value of each series by the number of Units of such series outstanding.

Valuation Principles

The assets and liabilities in the Fund will be carried at fair value which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act. In determining the fair value of the assets of the Fund, the following rules shall be applied:

- the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest, declared or accrued and not yet received, shall be deemed to be the full amount thereof, unless the Manager has determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager, or third party engaged by the Manager, determines to be the reasonable value thereof;

- short-term income securities including the type of short-term loans and mortgages contemplated herein are valued at cost plus accrued interest, which the Manager, or third party engaged by the Manager, believes approximates fair value, provided there are no impairments. The Manager, or third party engaged by the Manager, will consider, but not be limited in considering, the following as part of its assessment for any impairments in the value of such investments: market interest rates, credit spreads for similar loans, and the creditworthiness and status of a borrower, including its payment history, the value of underlying property securing the short term loans and mortgages, overall economic conditions, status of construction or property development, if applicable, and other conditions specific to the underlying property or holding;

- long term mortgages and private commercial loans (including but not limited to first and second lien senior loans, term mezzanine debt and bridge loans consisting of senior and subordinated debentures plus participation rights) (collectively "**long term loans**") do not trade in the actively quoted markets. The Manager, or third party engaged by the Manager, may use certain valuation techniques, including but not limited to discounted cash flows, in estimating the fair value of such long term mortgages and private commercial loans. The process of valuing investments for which no published market exists will inevitably be based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investment. Determination of fair value will take into consideration a variety of factors including, but not limited to, the term to maturity of the loan, the market interest rate of similar loans, the value of any participation rights, whether it has a fixed or floating rate, any known impairment, the creditworthiness and status of a borrower, including its payment history and the value of any property securing the long term loans, overall economic conditions, status of construction or property development, if applicable and other conditions specific to the underlying property or holding;

- the value of any share, subscription right, warrant, option, future or other equity security which is listed or dealt upon a stock exchange shall be determined by taking the exchange specific closing or the latest available sale price (or lacking any sales or any record thereof, a price not higher than the latest available asked price and not lower than the latest available bid price as the Manager, or third party engaged by the Manager, may from time to time determine) on the day as of which the Net Asset Value or Net Asset Value per Unit is being determined;

- the value of any bond or other debt security, other than a short-term security, shall be determined by using prices supplied by the Fund's pricing agents which reflect broker/dealer supplied

valuations and electronic data processing techniques. If it is not possible to value a particular debt security pursuant to these valuation methods, then the value of such security shall be the most recent bid quotation supplied by a suitable dealer in such securities, as determined by the Manager, or third party engaged by the Manager;

- the value of inter-listed securities shall be computed in a manner which in the opinion of the Manager, or third party engaged by the Manager, most accurately reflects their fair value;

- the value of any bond, time note, debt-like security, share, unit, subscription right, clearing corporation options, options on futures, over-the-counter options or other security or other property which is not listed or dealt on a stock exchange shall be determined on the basis of such price quotations which, in the opinion of the Manager, or third party engaged by the Manager,, best reflect its fair value. If no quotations exist for such securities, value shall be the fair value thereof as determined from time to time in such manner as the Manager, or third party engaged by the Manager, may determine;

- the value of any restricted securities, as defined in National Instrument 81-102 ("**NI 81-102**"), shall be that which, in the opinion of the Manager, or third party engaged by the Manager, best reflects their fair value;

- the value of any Underlying Funds which are not listed or dealt upon an exchange shall be the most recently available net asset value;

- any premium received by the Fund for a written covered clearing corporation option, option on futures or over-the-counter option 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. The deferred credit shall be deducted in arriving at the Net Asset Value of the Fund or a series 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 in accordance with the provisions of this paragraph;

- forward contracts shall be valued according to the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract was 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;

- all assets of the Fund valued in terms of foreign currency, funds on deposit and contractual obligations payable to the Fund in foreign currency and liabilities and contractual obligations payable by the Fund in foreign currency shall be taken at the current rate of exchange obtained from the best available sources by the Administrator in consultation with the Manager, or third party engaged by the Manager. "Foreign currency" for the purpose of this section is currency other than Canadian currency; and

- if, in the opinion of the Manager, or third party engaged by the Manager, the above valuations do not properly reflect the prices which would be received by the Fund upon the disposal of shares or securities necessary to effect any redemption or redemptions, the Manager, or third party engaged by the Manager, may place such value upon such shares or securities as appears to it to most closely reflect the fair value of such shares or securities.

The Manager has the discretion to deviate from the Funds' valuation principles set out above if the Manager, or third party engaged by the Manager, believes these principles do not result in fair value.

The liabilities of each Fund shall be deemed to include:

- all bills, notes and accounts payable;
- all expenses incurred or payable by the Fund;
- all contractual obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
- all allowances and reserves applicable to the valuation of the pool of mortgages and loans in consideration of overall credit worthiness of said pool, including potential or known default, as determined by the Manager, or third party engaged by the Manager, from time to time;
- all allowances authorized or approved by the Manager for taxes or contingencies; and
- all other liabilities of the Fund or series of the Fund of whatsoever kind and nature, except liabilities represented by outstanding Units and the balance of any undistributed net income or capital gains.

Differences from Canadian Generally Accepted Accounting Principles (GAAP)

The Manager may determine such other rules as they deem necessary from time to time, which rules may deviate from Canadian generally accepted accounting principles ("**GAAP**"), provided that such deviations are in the best interest of the Fund and are consistent with industry practices for investment funds similar to the Fund.

Net Asset Value calculated in this manner will be used for the purpose of calculating the Manager's (and other service providers') fees and will be published net of all paid and payable fees. Such Net Asset Value will be used to determine the subscription price and redemption value of Units. To the extent that such calculations are not in accordance with GAAP, the financial statements of the Fund will include a reconciliation note explaining any difference between such published Net Asset Value and Net Asset Value for financial statement reporting purposes (which must be calculated in accordance with GAAP).

FEES AND EXPENSES

Management Fees

The Manager will be entitled to receive a monthly management fee (the "**Management Fee**"), calculated and accrued on each Valuation Date and paid monthly in an amount that is equal to the aggregate of:

- 1/12 of 0.50% of the Net Asset Value of the Series A Units, plus an amount equal to the Trailing Commission (as defined below under the heading "Dealer Compensation – Trailing Commission") payable by the Manager to registered dealers, plus
- 1/12 of 0.50% of the Net Asset Value of the Series F Units

(determined before deduction of Management Fees allocable to such Units).

Series O Unitholders will be charged a negotiated fee and it shall be payable by each Series O Unitholder (not the Fund) directly to the Manager.

All Management Fees and Trailing Commission payable by the Fund to the Manager are subject to HST (and other applicable taxes) and will be deducted as an expense of the applicable class of Units in the calculation of the Net Asset Value of such class of Units.

Operating Expenses

Each of the Fund and the Partnership is responsible for, and the Manager is entitled to reimbursement from the Fund or Partnership, as applicable, for all costs and operating expenses actually incurred by them in connection with the ongoing activities of the Fund or Partnership, as applicable, including but not limited to:

(i) third party fees and administrative expenses of the Fund or Partnership, as applicable, which include accounting and legal costs, fees payable to the Mortgage Administrator, independent review committee fees, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, bookkeeping and recordkeeping costs, Unitholder communication expenses, the cost of maintaining the Fund's or Partnership's existence, regulatory fees and expenses, all reasonable extraordinary or non-recurring expenses and applicable GST or HST; and

(ii) fees and expenses relating to the Fund's or Partnership's portfolio investments, including the cost of securities, interest on borrowings, commitment fees, related expenses payable to lenders and counterparties including possible fees charged by a Specialty Investment Manager relating to co-investments, brokerage fees, commissions and expenses, and banking fees.

The Manager may bear some of the Fund's or Partnership's expenses from time to time, at its option.

Operating expenses of the Partnership shall be the responsibility of the Partnership and will be reflected in the NAV of the Partnership.

To the extent the Fund invests in the Partnership, it will indirectly bear the fees and expenses incurred by the Partnership. However, the Fund will not pay a management or incentive fee that would duplicate a fee payable by the Partnership for the same service. In addition, the Fund will not pay any sales charges or redemption fees for its purchase or redemption of units of the Partnership.

Set Up Costs

The Fund is responsible for, and the Manager is entitled to reimbursement from the Fund for, all costs associated with the creation and organization of the Fund. Such set up costs will be charged to the Fund over a period of three years, on a pro rata basis commencing with the first fiscal year end following the launch of the Fund.

Redemption Fees

If a Unitholder redeems his or her units within the first 18 months from initial purchase, the Manager may, in its discretion, charge a redemption penalty equal to 5% of the Net Asset Value of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund.

If a Unitholder redeems his or her units after 18 months to 36 months from initial purchase, the Manager may, in its discretion, charge a redemption penalty equal to 2% of the Net Asset Value of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund.

Underlying Funds and Fee Rebates

Underlying Funds may be charged management fees, performance fees, carried interest, trailing commission and other expenses. There may be duplication of management fees on investments in Underlying Funds. Where possible, the Manager will negotiate for a reduced fee or a rebate of same on its investment in Underlying Funds. In some instances the rebate may be paid to the Fund and in other instances it may be paid to the Manager.

DEALER COMPENSATION

When investors purchase Units, their registered dealers receive two primary types of compensation – initial sales commission and trailing commission. This also applies to the principal distributer (see "Principal Distributer"). Initially, registered dealers may be paid a negotiable sales commission by investors in the Fund. Thereafter and on behalf of the Fund, the Manager will arrange to pay a monthly trailing commission to participating registered dealers, including the principal distributer.

There is no commission payable by a purchaser to the Manager upon the purchase of the Units. Subscribers may pay negotiated initial sales commissions to their registered dealers (minimum investment requirements are net of any such fees).

Initial Sales Commission

For Series A, the registered dealer which distributes such Units may charge investors an initial sales commission of up to 6% (up to $60 for each $1,000 investment) of the value of the Units purchased.

No initial sales commission is paid in respect of Series F or Series O Units.

Trailing Commission

The Manager will pay to registered dealers a trailing commission (the "**Trailing Commission**") equal to 1.00% per annum of the Net Asset Value of the Series A Units held in each registered dealer's client accounts. The Trailing Commission will assist registered dealers in providing Unitholders with continuing advice and service. The Manager may, at its discretion, negotiate, change the terms and conditions of, or discontinue the trailing commission with registered dealers.

No trailing commission is paid in respect of Series F or Series O Units.

The trailing commission is calculated and paid to registered dealers monthly. Notwithstanding the foregoing, the Manager, in its sole discretion, reserves the right to change the frequency of payment of the trailing commission to registered dealers to a quarterly or annual basis. The trailing commission is determined by the Manager and may be changed at any time. It is expected that registered dealers will pay

a portion of the trailing commission to sales representatives as compensation for providing ongoing investment advice and service to their clients.

Sales Incentives

In addition to the initial sales commission and trailing commission listed above, the Manager may share the costs of local advertising, dealer training seminars or other marketing or sales-related expenses with registered dealers to better serve their clients. The Manager may also provide dealers non-monetary benefits of a promotional nature and of minimal value and may engage in business promotion activities that result in dealers' sales representatives receiving non-monetary benefits. The cost of these activities incurred by them will be paid by the Manager and not the Fund. The Manager may change the terms and conditions of these programs, or may stop them, at any time.

MANAGEMENT AGREEMENT

In order to set out the duties of the Manager, the Fund has entered into a master management agreement with the Manager dated October 22, 2012 and amended December 17, 2012 and the Partnership has entered into a management agreement with Manager dated December 17, 2012 (collectively referred to as the "**Management Agreement**"). Pursuant to the Management Agreement, the Manager shall direct the affairs of each of the Fund and the Partnership and provide day-to-day management services to the Fund and the Partnership, including management of the Fund's and the Partnership's portfolios on a discretionary basis and distribution of the Units of the Fund and the Partnership, and such other services as may be required from time to time. The Manager may delegate certain of these duties from time to time.

For its services to the Fund, the Manager receives Management Fees (accrued on each Valuation Date and paid monthly) which are unique to each series of Units. See "Fees and Expenses – Management Fees".

The Manager is entitled to reimbursement for any expenses of the Fund and the Partnership incurred by the Manager, but may choose to bear some of the Fund's and Partnership's expenses from time to time.

The Management Agreement may be terminated by either the Fund and the Partnership or the Manager on 30 days' notice to the other parties, or immediately in the event of the dissolution or insolvency or bankruptcy of the other party or the termination of the Declaration of Trust.

ADMINISTRATOR

The Manager has retained Citigroup Fund Services Canada, Inc., from its principal offices in Mississauga, Ontario, to carry out certain administrative services for the Fund. The administrative services consist of fund accounting, Net Asset Value calculations, transfer agency, Unitholder recordkeeping, tax preparation, client statements and client servicing. This includes processing of all subscriptions and redemptions and calculating and processing all income and capital gains distributions. In this capacity, the receipt by the Administrator of any document pertaining to the purchase, redemption or switching of Units will be considered to be the receipt by the Fund.

CUSTODIAN AGREEMENT

The Fund has entered into an agreement for custodial services with Citibank Canada located in Toronto, Ontario, dated September 21, 2012 and amended December 17, 2012 (the "**Custodian Agreement**") as may be amended from time to time. As custodian, Citibank Canada may hold cash and securities of the Fund. The Custodian Agreement may be terminated upon at least 60 days prior written notice by the Manager or 120 days prior written notice by the Custodian.

PRIME BROKER AND/OR CUSTODIAN AGREEMENT

The Partnership may appoint a prime broker and/or custodian in respect of the Partnership's portfolio transactions (the **"Prime Broker"**). All margin borrowings must be from arm's length financial institutions and must be on normal commercial terms. The Prime Broker will provide borrowing and/or prime brokerage services to the Partnership under the terms of an account agreement (the "**Prime Broker Agreement**"). These services may include the provision to the Partnership of trade execution, settlement, reporting, securities financing, stock borrowing, stock lending, options, foreign exchange and banking facilities, and are provided solely at the discretion of the Prime Broker. The Partnership may also utilise other brokers and dealers for the purposes of executing transactions for the Partnership. The Prime Broker assumes possession of and a security interest in the assets in accordance with the terms of the Prime Broker Agreement. Assets not required as margin on borrowings are required to be segregated (from the Prime Broker's own assets) but the Partnership's assets may be commingled with the assets of other clients of the Prime Broker. Furthermore, the Partnership's cash and free credit balances on account with the Prime Broker are not segregated and may be used by the Prime Broker in the ordinary conduct of its business, and the Partnership is an unsecured creditor in respect of those assets. The Partnership may request delivery of any assets not required by the Prime Broker for margin or borrowing purposes.

LOAN FACILITY

The Partnership may borrow for the purposes of making investments, providing cover for the writing of options, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies and to pledge its assets to secure the borrowings. The Manager, on behalf of the Partnership, may from time to time enter into a loan facility and will not borrow an amount exceeding 25% of the total assets of the Partnership after giving effect to such borrowing. The interest rate, fees, and expenses under a loan facility are expected to be typical of similar credit facilities and prime brokerage accounts of this nature. In the event that the amount borrowed exceeds 25% of the total assets of the Partnership, after giving effect to such borrowing, assets of the Partnership will be sold and the amount borrowed reduced to less than 25% of the total asset of the Partnership. See "Risk Factors – Risks Associated with the Fund and/or Partnership's Investments and Strategies – Leverage".

MORTGAGE LICENSING AND LEGISLATIVE REGIME

Mortgage brokerages in Ontario are currently regulated under MBLAA. The MBLAA is administered by the Ontario Ministry of Finance through the Financial Services Commission of Ontario ("**FSCO**") and regulates mortgage brokerages which must be licensed under the MBLAA. Under the MBLAA, a "mortgage brokerage" is a person who carries on the business of dealing in mortgages in Ontario. A person is considered to be "dealing in mortgages in Ontario" when such person engages in any of the following activities in Ontario, or holds itself out as doing so:

a) soliciting another person or entity to borrow or lend money on the security of Real Property;

b) providing information about a prospective borrower to a prospective mortgage lender, whether or not the MBLAA governs the lender;

c) assessing a prospective borrower on behalf of a prospective mortgage lender, whether or not the MBLAA governs the lender;

d) negotiating or arranging a mortgage on behalf of another person or entity, or attempting to do so; or

e) engaging in such other activities as may be prescribed under the MBLAA.

As neither the Partnership nor the Manager will be licensed under the MBLAA, neither the Partnership nor the Manager can engage directly in the business of dealing in mortgages in Ontario, and must therefore engage a licensed mortgage brokerage and mortgage administrator to conduct mortgage investment activities. The Partnership and the Manager have engaged the Mortgage Administrator to service and administer mortgages on behalf of the Partnership.

A mortgage brokerage must obtain a license issued by the Superintendent of Financial Services (the "**Superintendent**") who is the chief executive officer of FSCO. These licenses are for a term of two years and are subject to a fee established by the Minister of Finance. The Mortgage Administrator, which will perform mortgage brokerage services through its carrying broker, Clarity Mortgage Inc. on behalf of the Partnership pursuant to the Mortgage Administration and Services Agreement, currently holds a valid license under the MBLAA sufficient to permit it to carry on the activities contemplated in the Mortgage Administration and Services Agreement and operates in compliance with the requirements of the MBLAA. The Mortgage Administrator's license under the MBLAA qualifies it to syndicate mortgage loans.

The Superintendent has wide authoritative power over mortgage brokerages, including the power to grant or renew licenses, to revoke licenses, to attach conditions to a license, to investigate complaints made regarding the conduct of registered mortgage brokerages, and to accept or reject a prospectus submitted by a registered mortgage brokerage as required under the MBLAA when dealing in certain property located outside of Ontario.

Under the MBLAA and its regulation there are several requirements a mortgage brokerage must meet in order to obtain or renew a license. The MBLAA also imposes a continuing obligation on registered mortgage brokerages to remain in compliance with the MBLAA, failing which the Superintendent may revoke the license.

Generally, a mortgage brokerage will not be granted a license or a renewal of a license if, having regard to the financial position of the mortgage brokerage, it could not reasonably be expected that the mortgage brokerage would be financially responsible in the conduct of its business. In addition, a license will not be granted or renewed if the past conduct of the applicant is such that it provides reasonable grounds for the Superintendent to believe that the mortgage brokerage will not conduct business legally and with integrity and honesty. In the case of a corporate mortgage brokerage, the Superintendent will look to the past conduct of the directors and officers of the corporation.

Subject to certain exceptions, every individual mortgage broker and active officers and directors of a corporate mortgage brokerage must complete an education program approved by the Superintendent.

Mortgage brokerages are regulated provincially and as such the licensing and registration requirements vary by province. The Mortgage Administrator has taken all necessary steps to see it is in compliance with all relevant licensing and registration requirements in all provinces where it conducts business.

MORTGAGE ADMINISTRATION AND SERVICES AGREEMENT

The Partnership will engage with MZG Inc. as a Mortgage Administrator to service and administer mortgages on behalf of the Partnership and provide certain other services pursuant to a mortgage administration and services agreement (the "**Mortgage Administration and Services Agreement**") which may be amended from time to time.

The following is intended to be only a summary of the provisions of the Mortgage Administration and Services Agreement and does not purport to be complete. A copy of the Mortgage Administration and Services Agreement will be provided to each prospective purchaser on request in writing to the Manager. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Mortgage Administration and Services Agreement.

Services

Pursuant to the Mortgage Administration and Services Agreement, the Mortgage Administrator is required, among other things, to:

- provide or arrange all clerical, accounting and administrative functions and maintain or arrange for the maintenance of books and records in connection with the Partnership's mortgage investments;

- arrange for office space and equipment and the necessary executive, clerical and secretarial personnel for the administration of the day-to-day operations of the Mortgage Administrator;

- investigate, select and conduct relations with consultants, borrowers, lenders, mortgagors and other mortgage and mortgage investment participants, accountants, originators or brokers, correspondents and mortgage administrators, technical advisors, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers; to employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Partnership's mortgage investments and to substitute any such party or itself for any other such party or for itself;

- act on behalf of the Partnership as its nominee or agent in connection with acquisitions or dispositions of the Partnership's mortgage investments, the execution of deeds, mortgages or other instruments in writing for or on behalf of the Partnership and the handling, prosecuting and settling of any claims of the Partnership relating to the Partnership's mortgage investments including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Partnership's interests;

- provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims of the Partnership with respect to the Partnership's beneficial

ownership in each mortgage, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Partnership's interests;

- service and administer mortgages throughout their term on behalf of the Partnership, including holding the Partnership's interest in a mortgage investment as nominee and bare trustee, maintaining records and accounts in respect of each eligible mortgage investment, remitting to the Partnership all amounts received by the Mortgage Administrator on account of the Partnership's interest in each mortgage and on a monthly basis forwarding to the Partnership a monthly statement of account in respect of all mortgage investments in which the Partnership has an interest;

- assist the Manager to formulate and modify the Partnership's investment policies when appropriate, and to report to the Partnership in connection with or relative to the Partnership's mortgage investments as may be required from time to time by the Manager. The Mortgage Administrator shall provide the Manager with information relating to proposed acquisitions, dispositions, financing and mortgage investments including such information that the Manager deems necessary to execute completely its due diligence and responsibilities;

- use its reasonable efforts to present to the Partnership investment opportunities consistent with the investment policies and objectives of the Partnership, which investments will mainly consist of whole or partial interests in mortgages; and

- if required or upon request of the Manager, obtain an appraisal and/or Phase I Environmental Audit of Real Property with respect to mortgage interests which are being acquired or with respect to which a mortgage loan or commitment is being made.

The Mortgage Administrator has agreed to fulfill the role and provide the services set out in the Mortgage Administration and Services Agreement in an honest and diligent manner, in good faith and to the best of its ability and not to prejudice the opportunities provided to the Manager in any manner. The Mortgage Administrator has further agreed to service the Partnership's portfolio of mortgage investments in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers its current mortgage loans, giving due consideration to customary and usual standards of practice employed by mortgage loan administrators with respect to loans comparable to the Partnership's investments and to exercise reasonable business judgment in accordance with applicable law to maximize recovery under the Partnership's investments.

Fees

In consideration of the performance of its services under the Mortgage Administration and Services Agreement, the Mortgage Administrator is entitled to a fee (the "**Mortgage Administrator Fee**") in an amount equal to up to 2**%** per annum of the outstanding principal balance of the entire portfolio of mortgages serviced and administered by the Mortgage Administrator under the Mortgage Administration and Services Agreement. The Mortgage Administrator Fee may be paid directly to the Mortgage Administrator by the Partnership or more typically by way of deduction from payments received directly by the Mortgage Administrator from borrowers pursuant to such mortgage loans. In addition, the Mortgage Administrator may, from time to time, charge brokers' fees, lenders' fees, commitment fees, renewal fees, Non Sufficient Funds (NSF) fees, administration fees, discharge fees and similar fees to borrowers with respect to the eligible investments and, provided such fees are

commercially reasonable, all of such fees will be and remain the sole property of the Mortgage Administrator.

The fees payable to the Mortgage Administrator under the Mortgage Administration and Services Agreement are comparable to fees paid to other entities providing similar services and to the fees charged by the Mortgage Administrator for similar services provided to its other clients.

Liability and Indemnity

The Mortgage Administrator will only be liable to the Manager or the Partnership by reason of acts constituting bad faith, willful misconduct or negligence in respect of its duties under the Mortgage Administration and Services Agreement. The Partnership has agreed to indemnify and hold harmless the Mortgage Administrator, as well as its directors, officers, shareholders, employees, affiliates and agents, from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs and expenses including, without limiting the foregoing, reasonable legal fees and expenses, arising from or in connection with any actions or omissions which the Mortgage Administrator takes as Mortgage Administrator under the Mortgage Administration and Services Agreement, provided that such action or omission is taken, or not taken, in good faith and without willful misconduct, negligence, standard of care or is taken pursuant to and is in compliance with that agreement. This indemnity will survive the removal or resignation of the Mortgage Administrator in connection with any and all of its duties and obligations under the Mortgage Administration and Services Agreement.

Term and Termination

The Mortgage Administration and Services Agreement will continue in force until terminated in accordance with its provisions. The Mortgage Administration and Services Agreement is terminable by the Partnership on 12 months' notice or at any time upon the occurrence of an event of termination on the part of the Mortgage Administrator as set out in the Mortgage Administration and Services Agreement. The Mortgage Administration and Services Agreement is terminable by the Mortgage Administrator at any time upon the occurrence of an event of termination on the part of the Partnership or upon 12 months prior written notice to the Manager.

Acknowledgements

The Partnership acknowledges that the Mortgage Administrator, or its directors, officers, shareholders, employees and affiliates, may purchase with their own funds and own as a co-lender, a percentage interest in an investment that the Mortgage Administrator presents to the Partnership for acquisition and that the Mortgage Administrator may also sell undivided percentage interests in such investments to other co-lenders. The Partnership also acknowledges that the Mortgage Administrator may hold a subordinated portion in a mortgage which is presented to the Partnership and the rate of return on such subordinated portion may vary from the Partnership's rate of return. The Partnership also consents to and acknowledges, among other things, that: (i) the directors, officers, employees, affiliates and associates of the Mortgage Administrator are engaged in a wide range of investing and other business activities, which may include real property financing in direct competition with the Partnership; (ii) the services of the Mortgage Administrator and its directors, officers and employees are not exclusive to the Partnership and the Mortgage Administrator, its directors, officers, employees and affiliates may at any time engage in promoting or managing any other entity or its investments including those which may compete directly or indirectly with the Partnership; (iii) the Mortgage Administrator may, from time to time, charge brokers' fees, lenders' fees, commitment fees, renewal fees, NSF fees, administration fees, discharge fees

and similar fees to borrowers in amounts that are commensurate with fees paid to other entities providing similar services with respect to the eligible investments and all of such fees will be and remain the sole property of the Mortgage Administrator; and (iv) the Mortgage Administrator is under no obligation to make payments to the Partnership under the Agreement in respect of an eligible investment unless and until payments are received by the Mortgage Administrator from the borrower or other applicable person in respect of the eligible investment in any particular month.

PRINCIPAL DISTRIBUTER

The Manager has engaged Portland Private Wealth Services Inc. to act as principal distributer of the Fund (the "**Principal Distributer**") pursuant to distribution agreement dated as of September 21, 2012 and amended December 17, 2012. This agreement gives the Principal Distributer additional marketing and sales support and preferential access to the Manager beyond what is available to other registered dealers. Portland Private Wealth Services Inc. is an affiliate of the Manager.

The distribution agreement may be terminated by either party on 30 days prior written notice to the other. The office of the Principal Distributer is located at 1375 Kerns Road, Suite 200, Burlington, Ontario, L7P 4V7. The phone number for the Principal Distributer is 1-905-331-6255 and the website address is www.portlandpws.com.

It is expected that another affiliate of the Manager will enter into a similar agreement on or before January 31, 2013.

TERMINATION OF THE FUND

The Fund has no fixed term. The Manager may, in its discretion, terminate the Fund by giving notice to the Unitholders and fixing the date of termination not earlier than 30 days following the mailing or other delivery of notice. No Units may be redeemed at the option of a Unithholder from the date that the notice of termination is delivered. The Fund will be terminated and dissolved in the event that the Manager resigns and no successor trustee and manager is appointed, or if the Manager has been declared bankrupt or becomes insolvent or there is a material breach of the Manager's obligations under the Declaration of Trust and such default continues for 120 days from the date that the Manager receives notice of such material default from a Unitholder.

On or about the effective date of termination of the Fund, the Manager (or other person appointed by the Manager in the event that the Manager cannot or will not so act) shall sell all non-cash assets of the Fund, unless the Manager determines that it would be in the best interests of the Unitholders to distribute some or all of such assets in kind. The Manager shall be entitled to retain out of any moneys in its hands full provision for all costs, charges, expenses, claims and demands incurred, made or reasonably anticipated by the Manager in connection with or arising out of the termination of the Fund and the distribution of the Fund's assets to Unitholders and out of the moneys so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands.

DECLARATION OF TRUST

The rights and obligations of the Manager and the Unitholders of the Fund are governed by the Declaration of Trust (as amended from time to time). The following is a summary of the Declaration of Trust. **This summary is not intended to be complete and each investor should carefully review the Declaration of Trust itself for full details of these provisions.**

The Units

The Trustee will determine whether the capital of the Fund is divided into additional Series of Units, the attributes that shall attach to each Series of Units and whether any Series of Units should be redesignated as a different Series of Units from time to time.

Each Unit of a Series is without nominal or par value and entitles the holder thereof to one vote for each one full dollar of value of all units owned by such Unitholder as based on the Series Net Asset Value per Unit at the close of business on the record date for voting at all meetings of Unitholders of the Fund where all Series vote together and to one vote at meetings where that particular Series votes separately as a Series.

Each Unit of a particular Series generally entitles the holder thereof to participate pro rata with respect to all distributions made to that Series (except special distributions) and, upon liquidation of the Fund, to participate pro rata with the other Unitholders of that same Series in the Series Net Asset Value remaining after the satisfaction of outstanding liabilities of the Fund and the Series.

Unitholder Meetings

Meetings of Unitholders may be convened by the Trustee or the Manager as either of them may deem advisable from time to time for the administration of the Trust.

Amendment to the Declaration of Trust

The Trustee may amend the Declaration of Trust, without the approval of or prior notice to the Unitholders where the Trustee reasonably believe that the proposed amendment does not have the potential to materially adversely impact the financial interests or rights of Unitholders of the Trust or where the proposed amendment is necessary to:

a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the Trust or the distribution of its Units;

b) remove any conflicts or other inconsistencies that may exist between any of the terms of the Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the Trust, the Trustee or their agents;

c) make any change or correction in the Declaration of Trust that is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;

d) facilitate the administration of the Trust as applicable or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the Trust or its Unitholders; or

e) for the purposes of protecting the Unitholders of the Trust.

Where securities legislation requires that written notice be given to Unitholders before the change takes effect and where the Trustee reasonably believe that the proposed amendment has the potential to materially adversely impact the financial interests or rights of the Unitholders, so that it is equitable to

give Unitholders advance notice of the proposed change, the Trustee may amend the Declaration of Trust on 30 days' notice to Unitholders.

CANADIAN INCOME TAX CONSIDERATIONS AND CONSEQUENCES

The following summary fairly presents the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, with respect to the acquisition, ownership and disposition of Units of the Fund generally applicable to an individual unitholder, other than a trust who for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and holds Units as capital property.

This summary is based on the current provisions of the Tax Act and the regulations issued thereunder (the "**Regulations**") proposals for specific amendments to the Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof and counsel's understanding of the current administrative practices and assessing policies of the Canada Revenue Agency. This summary does not take into account or anticipate any change in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial or foreign income tax legislation or considerations.

The Fund intends to qualify as a mutual fund trust under the Tax Act effective from the date of its creation in 2012 at all times thereafter. This summary is based on the assumption that the Fund will qualify as a mutual fund trust under the Tax Act at all material times. If the Fund were not to so qualify, the income tax consequences would differ materially from those described below.

The following summary is of a general nature only, and is not intended to constitute legal or tax advice to any particular investor. Each investor should seek independent advice regarding the tax consequences of investing in Units of the Fund, based on the investor's own particular circumstances.

Taxation of the Fund

In each year, the Fund intends to distribute to its Unitholders in each year such amount of its net income and net realized capital gains that it should generally not be liable for tax under Part I of the Tax Act after taking into account any capital gains refunds and loss carry forward balances.

All of the Fund's deductible expenses, including expenses common to all series of the Fund and management fees and other expenses specific to a particular series of the Fund, will be taken into account in determining the income or loss of the Fund as a whole.

The Partnership is not itself liable for income tax under the Tax Act. In general, the Fund will be required to include in computing its income or loss for tax purposes each year the income or loss of the Partnership for that year, computed as if the Partnership were a separate person resident in Canada. It is expected that most of the earnings of the Partnership will be ordinary income, as opposed to capital gains and capital losses. The Fund, generally, will also realize capital gains and losses when it disposes of interests in the Partnership to the extent that the proceeds received exceed the adjusted cost base of the interest.

Taxation of Investors

A Unitholder will generally be required to include in computing income for a taxation year that portion of the net income and the taxable portion of the net capital gains of the Fund as was paid or payable to him in the year, whether or not such amount has been reinvested in additional units.

Net taxable capital gains and foreign source income of the Fund and taxable dividends received by the Fund on shares of taxable Canadian corporations that are paid or payable to the Unitholders (including such amounts reinvested in additional units) may be designated by the Fund as taxable capital gains, foreign source income, and taxable dividends earned by the Unitholder, respectively; and therefore will retain their character in the hands of the unitholders. Foreign source income received by the Fund will generally be net of any taxes withheld in the foreign jurisdiction. The taxes so withheld will be included in the determination of income under the Tax Act. To the extent that the Fund so designates in accordance with the Tax Act, Unitholders will, for the purpose of computing foreign tax credits, be entitled to treat their share of such taxes withheld as foreign taxes paid by the Unitholders.

If distributions from the Fund (other than as proceeds of disposition) are greater than a Unitholder's share of the Fund's net income and the net realized capital gains allocated by the Fund, the excess will be a return of capital. A return of capital is not taxable, but will reduce the adjusted cost base of the Unitholder's units of the Fund. If the adjusted cost base of a Unitholder's units is reduced to less than zero, the Unitholder will be deemed to realize a capital gain equal to the negative amount and the adjusted cost base of the Unitholder's units will be increased by that amount to zero.

The net asset value of a unit may reflect income that has not yet been distributed and capital gains that have not yet been realized or distributed. If a Unitholder purchases a unit before a distribution of net income or net realized capital gains, the Unitholder will be taxable on such distribution even if the amount of that distribution was reflected in the purchase price of the units.

Upon the disposition of units (including a redemption, switch or change to another Fund), a Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition received exceed (or are exceeded by) the adjusted cost base of the units and any reasonable costs of the disposition. Generally, one-half of a capital gain (or capital loss) is included in determining a Unitholder's taxable capital gain (or allowable capital loss). A change of units of one series of a Fund into units of another series of the same Fund will not result in a disposition. Any switch fees paid are considered a redemption. Under the alternative minimum tax provisions of the Tax Act, capital gains realized, and distributions of Canadian dividends and capital gains received, by an individual may give rise to a liability for minimum tax.

Registered Plans

Provided that the Fund qualifies as a mutual fund trust under the Tax Act at all times, Units of the Fund will be "qualified investments" under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (collectively "**Registered Plans**"). Annuitants of registered retirement savings plans and registered retirement income funds, and holders of tax-free savings accounts, should consult with their own tax advisors as to whether Units of the Fund would be a "prohibited investment" under the Tax Act in their particular circumstances. Registered Plans are, generally, not subject to tax on income earned on, and proceeds realized on the disposition of, Units of the Fund as long as the income and proceeds remain in the Registered Plan.

Investors who choose to purchase Units of the Fund through a Registered Plan should consult their own tax advisors regarding the tax treatment of contributions to, and acquisitions of property by, such Registered Plan.

Portland Registered Plans

You may open any of the following Portland Registered Plans:

Registered Retirement Savings Plan (group and individual)	RRSP
Locked-in Retirement Account	LIRA
Locked-in Registered Retirement Savings Plan	LRSP
Registered Retirement Income Fund	RRIF
Life Income Fund	LIF
Locked-In Retirement Income Fund	LRIF
Prescribed Retirement Income Fund (Saskatchewan & Manitoba)	PRIF
Deferred Profit Sharing Plans	DPSP
Tax-Free Savings Account	TFSA

The terms and conditions of these Portland Registered Plans are contained within the applicable Portland application form and in the declaration of trust that appears on the reverse side of the application form.

RISK FACTORS

Investment in Units involves certain risk factors, including risks associated with the Fund's investment objective and the Partnership's investment objectives and strategies. The following risks should be carefully evaluated by prospective investors.

Risks Associated with an Investment in the Fund and/or Partnership

Changes in Investment Strategies

The Manager may alter its investment strategies without prior approval by the Unitholders if the Manager determines that such change is in the best interest of the Fund.

Charges to the Fund

The Fund is obligated to pay administration fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Fund realizes profits.

Investment Risk

An investment in the Fund may not be suitable as a complete investment program. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. Investors should review

closely the investment objective and investment strategies to be utilized by the Fund as outlined herein to familiarize themselves with the risks associated with an investment in the Fund.

Lack of Independent Experts Representing Investors

The Fund and the Manager have consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Units. The investors have not, however, been independently represented. Therefore, to the extent that the Fund, the investors 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 advisers regarding the desirability of purchasing Units and the suitability of investing in the Fund.

Marketability and Transferability of Units

There is no market for the Units and their resale is subject to restrictions imposed by the Declaration of Trust, including consent by the Manager, and applicable securities legislation. (See "Transfer or Resale"). Redemptions may be deferred or suspended in certain circumstances. Consequently, holders of Units may not be able to liquidate their investment in a timely manner and the Units may not be readily accepted as collateral for a loan.

Mutual Fund Trust Status

It is intended that the Fund qualify as a "mutual fund trust" for the purposes of the Tax Act effective from the date of its creation and at all times thereafter. However, there can be no assurance that the Canadian federal income tax laws and administrative policies of the CRA respecting the treatment of "mutual fund trusts" and unit trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund fails to meet one or more conditions to qualify as a "mutual fund trust", **the income tax considerations described under "Canadian Income Tax Considerations and Consequences", would, in some respects, be materially different.**

Not a Public Mutual Fund

The Fund is not subject to the restrictions placed on public mutual funds by NI 81-102.

No Assurance of Return

Although the Manager through the Partnership will use its best efforts to achieve above average rates of return for the Fund, no assurance can be given in this regard. An investment in Units should be considered as speculative and subscribers must bear the risk of a loss on their investment.

No Involvement of Unaffiliated Selling Agent

The Trustee, Manager and General Partner are under common control and ownership. Consequently, no outside selling agent unaffiliated with such parties has made any review or investigation of the terms of this offering, the structure of the Fund or the background of the Trustee and Manager.

Possible Effect of Redemptions

Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash or require the Fund to fail to meet commitments in order to

fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

Possible Loss of Limited Liability

Under the Partnership Act, the General Partner has unlimited liability for the debts, liabilities, obligations and losses of the Partnership to the extent that they exceed the assets of the Partnership. The liability of each Limited Partner for the debts, liabilities, obligations and losses of the Partnership is limited to the value of money or other property the Limited Partner has contributed or agreed to contribute to the Partnership. In accordance with the Partnership Act, if a Limited Partner has received a return of all or part of the Limited Partner's contribution to the Partnership, the Limited Partner is nevertheless liable to the Partnership, or where the Partnership is dissolved, to its creditors, for any amounts not in excess of the amount returned with interest, necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims arose before the return of the contribution. **The limitation of liability of a Limited Partner may be lost if a Limited Partner takes part in the control of the business of the Partnership.**

Possible Negative Impact of Regulation

The regulatory environment is evolving and changes to it may adversely affect the Fund and/or the Partnership. To the extent that regulators adopt practices of regulatory oversight that create additional compliance, transaction, disclosure or other costs, returns of the Fund may be negatively affected. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action that may adversely affect the value of the investments held by the Partnership. The effect of any future regulatory or tax change on the portfolio of the Partnership is impossible to predict.

Potential Conflicts of Interest

The business of the Manager is the investment of accounts for its clients. The orders of the Partnership may be executed at the same time as other accounts managed by the Manager. Since the Manager may manage common interests for accounts on different financial terms, there may be an incentive to favour certain accounts over others. The Manager has a fairness policy to ensure the fair and reasonable treatment of all clients based upon the clients' investment objectives and strategies and to avoid favouritism or discrimination among clients.

Potential Indemnification Obligations

Under certain circumstances, the Fund and/or Partnership might be subject to significant indemnification obligations in favour of the Manager, other service providers to the Fund and/or Partnership or certain persons related to them in accordance with the respective agreement between the Fund, the Partnership and each such service provider. The Fund and/or Partnership will 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 and/or Partnership has agreed to indemnify them. Any indemnification paid by the Fund and/or Partnership would reduce the Fund's Net Asset Value.

Reliance on Manager and Track Record

The success of the Partnership will be primarily dependent upon the skill, judgment and expertise of the Manager and its principals. Although persons involved in the management of the Fund and the

service providers to the Fund and/or Partnership have had experience in their respective fields of specialization, the Fund and/or Partnership has no operating or performing history upon which prospective investors can evaluate the Fund's likely performance.

In the event of the loss of the services of the Manager, or of a key person of the Manager, the business of the Fund and/or Partnership may be adversely affected.

Risks Arising from Provision of Managerial Assistance

The Partnership may obtain rights to participate substantially in and influence substantially the conduct of the management of a Financed Company. The Partnership may designate directors to serve on the board of directors of Financed Companies. The designation of directors and other measures contemplated could expose the assets of the Partnership to claims by a Financed Company, its security holders and its creditors. While the Manager intends to manage the Partnership in a manner that will minimize its exposure to such risks, the possibility of such claims cannot be precluded.

Series Risk

Each series of Units has its own fees and expenses which are tracked separately. If for any reason, the Fund is unable to pay the expenses of one series of Units using that series' proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other series' proportionate share of the Fund's assets. This could effectively lower the investment returns of the other series even though the value of the investments of the Fund might have increased.

Tax Liability

Institutional investors in the Partnership may be allocated income for tax purposes and not receive any cash distributions from the Partnership. Net Asset Value of the Partnership and Net Asset Value per Unit will be marked to market and therefore calculated on the basis of both realized gains and losses and accrued, unrealized gains and losses. In computing each Limited Partner's share of income or loss for tax purposes, only realized gains and other factors, including the date of purchase or redemption of Units by a Limited Partner in a fiscal year, will be taken into account. Therefore, the change in Net Asset Value of a Limited Partner's Units may differ from his, her or its share of income and loss for tax purposes.

Units are not Insured

The Fund is not a member institution of the Canada Deposit Insurance Fund and the Units offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Fund. The Units are redeemable at the option of the holder, but only under certain circumstances.

Valuation of the Partnership's Investments

Valuation of the Partnership's securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected. Independent pricing information may not be available regarding certain of the Fund's securities and other investments. Valuation determinations will be made in good faith in accordance with the Limited Partnership Agreement.

The Partnership may from time to time have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the

Partnership to any such investment differs from the actual value, the Net Asset Value per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units while the Partnership holds such investments will be paid an amount less than such Unitholder would otherwise be paid if the actual value of such investments is higher than the value designated by the Partnership. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Manager in respect of a redemption. In addition, there is risk that an investment in the Fund by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the actual value of such investments is higher than the value designated by the Manager. Further, there is risk that a new Unitholder (or an existing Unitholder that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Manager. The Fund does not intend to adjust the Net Asset Value of the Fund retroactively.

U.S. Tax Risk

Pursuant to new United States tax rules, starting in 2013, Unithholders may be required to provide identity and residency information to the Fund, which may be provided by the Fund to United States tax authorities in order to avoid a United States withholding tax being imposed on United States and certain non-United States source income and proceeds of disposition received by the Fund or on certain amounts (including distributions) paid by the Fund to certain Unitholders. By investing in the Fund and, through a registered dealer, by providing identity and residency information, Unitholders are deemed to have consented to the Fund disclosing such information to United States tax authorities.

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

Risks Associated with the Fund and/or Partnership's Investments and Strategies

Availability of Investments

As the source of some of the Partnership's investments is through the Mortgage Administrator, the Partnership, is exposed to adverse developments in the business and affairs of the Mortgage Administrator, to its management and financial strength, to its ability to operate its businesses profitably and to its ability to retain its mortgage agent, mortgage administration and (through its carrying broker) brokerage licenses issued to it under applicable legislation. The ability of the Partnership to make investments in accordance with its objectives and investment policies depends upon the availability of suitable investments and the amount of funds available.

There can be no assurance that the yields on the mortgages currently invested in by the Mortgage Administrator will be representative of yields to be obtained on future mortgage investments of the Partnership. The Mortgage Administrator must render its services under the Mortgage Administration and Services Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the Mortgage Administration and Services Agreement in a conscientious, reasonable and competent manner. However, the services of the Mortgage Administrator, the directors and officers of the Mortgage Administrator and the members of its credit committee are not exclusive to the Partnership. The Mortgage Administrator, its directors and officers, its affiliates, members of its credit committee and their affiliates may, at any time, engage in promoting or managing other entities or their

investments including those that may compete directly or indirectly with the Partnership, and the Mortgage Administrator has sole discretion in determining which mortgages and investments it will make available to the Partnership for investment.

Counterparty and Settlement Risk

Some of the markets in which the Partnership will effect its transactions may be "over the counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. In addition, in the case of a default, the Partnership could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The Partnership is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Partnership to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

Credit Risk

Credit risk can have a negative impact on the value of a debt security, such as a loan or a mortgage. This risk includes:

- Default risk, which is the risk that the issuer of the debt will not be able to pay interest or repay the debt when it is due. Generally, the greater the risk of default, the lower the quality of the debt security.
- Credit spread risk, which is the risk that the difference in interest rates (called **credit spread**), between the issuer's bond and a bond considered to have little associated risk (such as a treasury bill) will increase. An increase in credit spread generally decreases the value of a debt security.
- Downgrade risk, which is the risk that a specialized credit rating agency will reduce the credit rating of an issuer's securities. A downgrade in credit rating generally decreases the value of a debt security.
- Collateral risk, which is the risk that in the event of a default under secured debt instruments, it may be difficult to sell the assets the issuer has given as collateral for the debt or that the assets may be deficient. This difficulty could cause a significant decrease in the value of a debt security.

Currency and Exchange Rate Risks

The Fund will report its results and Net Asset Value in Canadian dollars and make distributions, if any, in same. Changes in currency exchange rates may affect the value of the Partnership's portfolio and the unrealized appreciation or depreciation of investments.

Custody Risk and Broker or Dealer Insolvency

The Partnership does not control the custodianship of all of its securities. A portion of the Partnership's assets will be held in one or more accounts maintained for the Partnership by its custodian,

Mortgage Administrator, prime brokers or at other brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Partnership's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible scenarios involving the insolvency of a prime broker or any sub-custodians, agents or affiliates, or Mortgage Administrator it is impossible to generalize about the effect of their insolvency on the Partnership and its assets. Investors should assume that the insolvency of any of the prime brokers or such other service providers would result in the loss of all or a substantial portion of the Partnership's assets held by or through such prime broker and/or the delay in the payment of redemption proceeds.

Debt Securities

The Partnership may invest in bonds or other debt securities including, without limitation, bonds, notes and debentures issued by corporations. Debt securities pay fixed, variable or floating rates of interest. The value of debt securities in which the Partnership may invest will change in response to fluctuations in interest rates. In addition, the value of certain debt securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If debt securities are not held to maturity, the Partnership may suffer a loss at the time of sale of such securities.

Diversification

The ability of the Partnership to diversify its investments will depend on the ultimate size of the Partnership relative to the size of the available investment opportunities. The Manager expects to make investments in diverse industries but unforeseen circumstances may cause it to limit the number of investments which could affect the Partnership's ability to meet its investment objective.

The composition of the mortgages and loans in the Partnership may vary widely from time to time and may be concentrated by type of mortgage or loan, industry or geography, resulting in the portfolio of mortgages being less diversified than anticipated. A lack of diversification may result in the Partnership being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

Environmental and Other Regulatory Matters

Although the Mortgage Administrator generally obtains an evaluation of the property to be subject to the mortgage in the form of a Phase I Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Partnership could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

The Mortgage Administrator's environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before

advancing a loan or acquiring a mortgage.

Equity Risk

Companies issue equities, or stocks, to help finance their operations and future growth. A company's performance outlook, market activity and the larger economic picture influence its stock price. The value of the Partnership is affected by changes in the prices of the stocks it holds. The risks and potential rewards are usually greater for small companies, start-ups, resource companies and companies in emerging markets. Investments that are convertible into equity may also be subject to equity risk. In the case of equity securities which are units of income trusts, described under *Income Trust Risk*, the price will vary depending on the sector and underlying asset or business.

Exchange Traded Funds

The Partnership may invest in exchange-traded funds ("**ETFs**") that seek to provide returns similar to an underlying benchmark such as particular market index or industry sector index. These ETFs may not achieve the same return as a benchmark index due to differences in the actual weightings of securities held in the ETF versus the weightings in the relevant index, and due to the operating and administrative expenses of the ETF.

Failure to meet Commitments

The Partnership may commit to making future mortgage investments, commercial loans or investments in Underlying Funds in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Partnership may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

Similarly, following the initial investment in a Financed Company, via a commercial loan or other debt security, the Partnership may be called upon to provide additional funding or have the opportunity to increase its investment in such company or to fund additional investments through such company. There is no assurance that the Partnership will make follow-on investments or that the Partnership will have sufficient funding to make all such investments. Any decision by the Partnership not to make follow-on investments or its inability to make them may have a substantial negative impact on the Financed Company in need of such investment.

Foreign Investment Risk

The Partnership may invest in securities issued by corporations in, or governments of, countries other than Canada. Investing in foreign securities can be beneficial in expanding investment opportunities and increasing portfolio diversification, but there are risks associated with foreign investments, including:

- companies outside of Canada may be subject to different regulations, standards, reporting practices and disclosure requirements than those that apply in Canada;
- the legal systems of some foreign countries may not adequately protect investor rights;
- political, social or economic instability may affect the value of foreign securities;
- foreign governments may make significant changes to tax policies, which could affect the value of foreign securities; and

- foreign governments may impose currency exchange controls that may prevent a Partnership from taking money out of the country.

Please also see "U.S. Tax Risk" above.

General Economic and Market Conditions

The success of the Partnership'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 Partnership's investments. Unexpected volatility or illiquidity could impair the Partnership's profitability or result in losses.

Highly Volatile Markets

The prices of financial instruments in which the Partnership's assets may be invested can be highly volatile and may be influenced by, among other things, specific corporate developments, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.

Income Trust Risk

Income trusts generally hold debt and/or equity securities of an underlying active business or are entitled to receive a royalty on revenues generated by such business. If the Partnership invests in income trusts such as oil, gas and other commodity-based royalty trusts, real estate investment trusts and pipeline and power trusts, it will have varying degrees of risk depending on the sector and the underlying asset or business of the trust. Returns on income trusts are neither fixed nor guaranteed. Typically, trust securities are more volatile than bonds (corporate and government) and preferred securities. Many of the income trusts that the Partnership may invest in are governed by laws of a province of Canada or of a state of the United States which limit the liability of unitholders of the income trust from a particular date. The Partnership may, however, also invest in income trusts in Canada, the United States and other countries that do not limit the liability of unitholders. In such cases, there is therefore a risk that unitholders of an income trust, such as the Partnership, could be held liable for any claims against the income trust's contractual obligations. Income trusts generally try to minimize this risk by including provisions in their agreements that their obligations will not be personally binding on unitholders. However, the income trust may still have exposure to damage claims not arising from contractual obligations.

Interest Rate Changes

The value of the Partnership's investments may fall if market interest rates for government, corporate or high yield credit rise. The value of the Partnership that holds fixed income securities will rise and fall as interest rates change. When interest rates fall, the value of an existing bond tends to rise. When interest rates rise, the value of an existing bond tends to fall. The value of debt securities that pay a variable (or floating) rate of interest is generally less sensitive to interest rate changes. The Manager's ability to replace matured variable debt securities at the same or better yield will be impacted by interest rate changes.

Investment and Trading Risks in General

All investments made by the Manager risk the loss of capital. The Manager may utilize investment techniques or instruments which can, in certain circumstances, increase the adverse impact to which the Fund's account may be subject. No guarantee or representation is made that the Partnership's investment program will be successful and investment results may vary substantially over time. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Partnership's portfolio and performance.

Issuer–Specific Changes

The value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole.

Knowledge and Expertise of the Mortgage Administrator

As the Partnership will not be licensed under the MBLAA, the Partnership cannot engage directly in the business of dealing in mortgages in Ontario, and must therefore conduct its mortgage investment activities under contract with a Mortgage Administrator, a licensed mortgage brokerage and mortgage administrator.

As such, the Partnership will be dependent on the knowledge and expertise of a Mortgage Administrator for services under a Mortgage Administration and Services Agreement. There is no certainty that the persons who are currently officers and directors of a Mortgage Administrator will continue to be officers and directors of a Mortgage Administrator for an indefinite period of time.

Knowledge and Expertise of a Specialty Investment Manager

The Partnership will be dependent on the knowledge and expertise of a Specialty Investment Manager for investment advisory and portfolio management services. There is no certainty that the persons who are currently officers and directors of a Specialty Investment Manager will continue to be officers and directors of a Specialty Investment Manager for an indefinite period of time.

Leverage

The Partnership may use financial leverage by borrowing funds against the assets of the Partnership. The use of leverage increases the risk to the Partnership and subjects the Partnership to higher current expenses. Also, if the Partnership's portfolio value drops to the loan value or less, investors could sustain a total loss of their investment.

In the event that the amount borrowed exceeds 25% of the total assets of the Partnership, after giving effect to such borrowing, assets of the Partnership will be sold and the amount borrowed reduced to less than 25% of the total asset of the Partnership. Such sales may be required to be done at prices which may adversely affect the value of the portfolio and the return to the Partnership. The interest expense and banking fees occurred in respect of the loan facility may exceed the incremental capital gains/losses and income generated by the incremental investment of portfolio securities. In addition, the Fund may not be able to negotiate a loan facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns.

There is a possibility that some of the interest paid on an amount borrowed may not be deductible by the Fund for tax purposes.

Liabilities upon Disposition

In connection with the disposition of an investment, the Partnership may be required to make representations about the business and financial affairs of a Financed Company typical of those made in connection with the sale of the business or be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify purchasers of such investment or underwriters to the extent that such representations or disclosure documents are determined to be inaccurate. These arrangements may result in contingent liabilities which might ultimately have to be funded by the Partnership.

Limited Sources of Borrowing

The Canadian financial marketplace has a limited number of financial institutions that provide credit to entities such as the Partnership. The limited availability of sources of credit may limit the Partnership's ability to take advantage of leveraging opportunities to enhance the yield on its investments.

Liquidity Risk

Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Partnership's portfolio positions may be reduced. In addition, the Partnership may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Partnership's liquidity. During such times, the Partnership may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance its portfolio or to meet redemption requests. In addition, such circumstances may force the Partnership to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Partnership may be unable to sell such financial instruments or prevent losses relating to such financial instruments. In addition, in conjunction with a market downturn, the Partnership's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Partnership's exposure to their credit risk.

Mortgage Administrator Insolvency

The Partnership's interest in each mortgage investment will be held by legal title and registered in the name of the Mortgage Administrator on behalf of the Partnership as mortgage administrator and bare trustee of the investment. The insolvency of the Mortgage Administrator could result in the loss of all or a substantial portion of the assets of the Partnership held by the Mortgage Administrator and/or the delay in the payment of withdrawal proceeds.

Nature of the Investments

Investments in mortgages are affected by general economic conditions, local real estate markets, demand for housing or commercial premises, fluctuation in occupancy rates, operating expenses and various other factors. Investments in mortgages are relatively illiquid. This will tend to limit the Partnership's ability to vary its portfolio promptly in response to changing economic or investment

conditions. The Partnership's investments in mortgage loans will be secured by real estate. All Real Property investments are subject to elements of risk. While independent appraisals may be obtained before the Partnership makes any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessary reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the Real Property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

An investment in commercial loans, particularly mezzanine finance can require a long-term commitment. Many of the Partnership's investments will be highly illiquid and there can be no assurance that the Partnership will be able to realize such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Partnership. As the Partnership may make only a limited number of investments poor performance by a few of the investments could significantly affect the total returns to the Partnership. In the event a Portfolio Company fails to meet projections, the Partnership may suffer a partial or total loss of capital invested in that company. Therefore, there can be no assurance that the Partnership will be able to realize the value of its investments and distribute proceeds in a timely manner.

The Partnership's income and funds available for distribution to Unitholders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Partnership or if the Partnership was unable to invest its funds in mortgages or commercial loans on economically favourable terms. On default by a borrower, the Partnership may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

Options

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option is limited to the amount of the purchase price of the option, however, investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

Portfolio Turnover

The Partnership has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

Real Estate Risk

In addition to general market conditions, investment in securities in the real estate sector, will be affected by the strength of the real estate markets. Factors that could affect the value of the Partnership's holdings include the following:

- overbuilding and increased competition;

- increases in property taxes and operating expenses;
- declines in the value of real estate;
- lack of availability of equity and debt financing to refinance maturing debt;
- vacancies due to economic conditions and tenant bankruptcies;
- losses due to costs resulting from environmental contamination and its related clean-up;
- changes in interest rates;
- changes in zoning laws;
- casualty or condemnation losses;
- variations in rental income;
- changes in neighbourhood values; and
- functional obsolescence and appeal of properties to tenants.

Reinvestment Risk

There can be no assurances that any of the mortgages or commercial loans in which the Partnership has invested, from time to time, can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage or loan it is possible that the lender, the borrower or both, will not elect to renew such mortgage or loan or the borrower will elect to prepay all or a part of such mortgage or loan. In addition, if the mortgages or loans are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages or loans will be subject to negotiations between the lenders, the borrower and the Mortgage Administrators, as applicable, at the time of renewal.

If an underlying fund or ETF pays distributions in cash that the Fund is not able to reinvest in additional units or shares of the underlying fund or ETF on a timely or cost-effective basis, then the performance of the Partnership will be impacted by holding such uninvested cash.

Reinvestment risk is also the risk that future interest payments from a bond will not be reinvested at the prevailing interest rate when the bond was initially purchased. This risk is more likely when interest rates are declining.

Shorting

Selling a security short ("**shorting**") involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at later date. Should the security increase in value during the shorting period, losses will incur to the Partnership. There is in theory no upper limit to how high the price of a security may go. The Partnership will also be responsible to pay dividends or other distributions on securities sold short. Another risk involved in shorting is a situation where the lender of the security requests its return. In such cases, the Partnership must either find securities to replace those borrowed or repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Partnership may have to bid up the price of the security in order to cover the short position, resulting in losses to the Partnership.

Use of Derivatives

The Partnership may use derivative instruments. The use of derivatives may present additional risks to the Partnership. To the extent of the Partnership's investment in derivatives it may take a credit risk with respect to parties with whom it trades and may also bear the risk of settlement default. When

used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Partnership from achieving the intended hedge effect or expose the Partnership to the risk of loss. In addition, derivative instruments may not be liquid at all times, so that in volatile markets the Partnership may not be able to close out a position without incurring a loss. No assurance can be given that the use of derivatives, such as the purchase or sale of forward currency agreements or puts and calls and other techniques and strategies that may be utilized by the Partnership to hedge its exposure, will not result in material losses.

CORPORATE GOVERNANCE

General

The Manager has the authority to manage and direct the business, operations and affairs of the Fund and/or Partnership, subject to applicable law and the Management Agreement. The Manager has established appropriate policies, procedures and guidelines to ensure the proper management of the Fund. The systems implemented monitor and manage the business and sales practices, risks and internal conflicts of interest relating to the Fund and/or Partnership while ensuring compliance with regulatory and corporate requirements.

Independent Review Committee

The Manager has appointed an Independent Review Committee ("**IRC**") for the Fund. Although not required to do so, the Manager has voluntarily appointed the IRC to act as an independent review committee for conflict of interest purposes for the Fund.

The members of the IRC are independent of the Manager, the Fund, and entities related to the Manager. The IRC will review conflicts of interest matters relating to the operations of the Fund. The cost associated with the IRC will form part of the operating expenses of the Fund. Each member of the IRC will receive an annual retainer and may receive a fee for each meeting of the IRC attended by the member, and may be reimbursed for reasonable expenses incurred.

The current members of the IRC are David Sharpless, John Doma and James F. O'Donnell and their biographies are as follows:

David Sharpless is the Chairman and CEO of Maverick Inc., a private consulting and investment firm and the Chairman and CEO of New Carbon Economy Venture Management Inc., a private company which manages a number of investments in "green" technology companies. He is also a Director and Chairman of the Audit Committee of Micromem Technologies Inc., a CNSX listed company. He was the Chairman and CEO of TrustMark Auto Group, Inc., a CNSX listed company and the Chairman of Hunter Keilty Muntz & Beatty Limited, a firm of international insurance brokers based in Toronto and the Vice Chairman of its successor, HKMB Hub International Ltd. Prior to joining Hunter Keilty Muntz & Beatty Limited in 2000, his career spanned more than 25 years as a business lawyer with Blake, Cassels & Graydon and as a senior leader in international finance. Mr. Sharpless also sits on the Board of Directors of a number of other companies.

John Doma, BBA, CA, has practiced public accounting since 1985. He is the managing Partner at Bateman MacKay LLP with offices in Burlington and Mississauga. Mr. Doma participates in succession planning/transition of businesses to next generation families. Mr. Doma also advises on and performs due diligence on strategic acquisitions and financing. Mr. Doma is currently the Honorary

Consul General of the Republic of Slovenia in Canada. Mr. Doma is a past Executive Member and Director of the GHVF (Golden Horseshoe Venture Forum), a forum which supports emerging growth companies. He is a past member of the Burlington Community Professional Advisors Committee. As a co-founder of Innovation Night, Mr. Doma supports individuals wishing to share their entrepreneurial ideas with the business community, in an informal setting. Mr. Doma is also a founding board member of the Slovenian-Canadian Scholarship Foundation Inc.

James F. O'Donnell has over 40 years of business experience including leadership roles in the brokerage, mutual funds and investment management arenas. In 2002 the Canadian investment industry recognized his significant contributions and presented him with the Canadian Investment Career Achievement Award. Prior to founding O'Donnell Asset Management Corp., he was founder, Chairman and CEO of O'Donnell Investment Management Corp. which was launched in 1995 and prior to that he was president and one of the founders of Mackenzie Financial Corp. from which he retired in 1993.

Conflicts of Interest

The Manager will not be devoting its time exclusively to the affairs of the Fund. In addition, the Manager will perform similar or different services for others and may sponsor or establish other funds during the same period that it acts in relation to the Fund and/or Partnership. Additionally, the Partnership may invest in securities in which the Manager or its affiliates and associates have a current or previous affiliation. The Manager therefore, will have conflicts of interest in allocating investment opportunities, management time, services and functions among the Fund and/or Partnership and such other persons for which it provides services. However, the Manager will undertake to act in a fair and equitable manner as between the Fund, the Partnership and its other clients and at all times the Manager will ensure a fair and equitable allocation of its management time, services, functions and investment opportunities between the Fund and/or Partnership and any other such persons it provides services to. Also, the Administrator or other service provider engaged to calculate the Net Asset Value of the Fund and/or Partnership may consult from time to time with the Manager, and defer to the Manager who may in turn consult with a Mortgage Administrator or Specialty Investment Manager, when valuing a specific security to which the general valuation rules cannot or should not be applied (See "Net Asset Value"). This can create a conflict of interest for the Manager, as the Manager's remuneration is dependent upon the Net Asset Value of the Fund and/or Partnership. However the Manager must discharge its duties according to a standard of care that requires it to act in the best interests of the Fund and/or Partnership, and will be held accountable under the Management Agreement if it fails to do so.

A Mortgage Administrator will enter into a Mortgage Administration and Services Agreement with the Partnership and will be entitled to earn a fee for providing services to the Partnership and to earn various fees from mortgagors on loans under its administration. A Mortgage Administrator must render its services under a Mortgage Administration and Services Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under a Mortgage Administration and Services Agreement in a conscientious, reasonable and competent manner. However, a Mortgage Administrator, its directors and officers, its affiliates, may at any time engage in promoting or managing other entities or their investments including Real Property financing that may compete directly or indirectly with the Partnership. A Mortgage Administrator may establish other investment vehicles which may involve transactions which conflict with the interests of the Partnership. (See "Mortgage Administration and Services Agreement").

In addition, a Mortgage Administrator has sole discretion in determining which mortgages and investments it will make available to the Partnership for investment and will, at the same time and on an

on-going basis, be sourcing investment opportunities for its own account or the account of others. A Mortgage Administrator, in exercising its discretion, will use its best judgment and act in such manner as it sees fit, having regard to the relative sizes, investment objectives, portfolio composition and financial capabilities of all of the entities involved, including, specifically the Partnership. (See "The Mortgage Administrators").

A Specialty Investment Manager may enter into an agreement with the Partnership and may be entitled to earn a fee for providing services to the Partnership and to earn various fees from borrowers on loans under its administration. It will be expected that a Specialty Investment Manager will render its services under an agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under such an agreement in a conscientious, reasonable and competent manner. However, a Specialty Investment Manager, its directors and officers, its affiliates, may at any time engage in promoting or managing other entities or their investments that may compete directly or indirectly with the Partnership. A Specialty Investment Manager may establish other investment vehicles which may involve transactions which conflict with the interests of the Partnership.

Whenever a conflict of interest arises between the Partnership, on the one hand, and a Mortgage Administrator or Specialty Investment Manager on the other hand, the parties involved, in resolving that conflict or determining any action to be taken or not taken, will be entitled to consider the relative interests of all of the parties involved in the conflict or that will be affected by such action, any customary or accepted industry practices, and such other matters as the parties deem appropriate in the circumstances.

The Manager has been engaged to direct the business, operations and affairs of the Fund and/or Partnership and will be paid fees for its services as set out herein. In addition, each of the Manager and the Principal Distributer is a registered dealer participating in the offering of the Units to its clients for which it may receive an initial sales commission with respect to Series A Units and it will receive a trailing commission with respect to Series A Units. The Fund, the Partnership and any related issuers that are managed by the Manager from time to time may be considered to be "connected issuers" and "related issuers" of the Manager and the Principal Distributer under applicable securities legislation. The Manager and the Principal Distributer have the same officers and are controlled, directly or indirectly, by Michael Lee-Chin.

PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Manager may require additional information concerning investors. The Subscription Agreement contains detailed guidance on whether identification verification materials will need to be provided with the Subscription Agreement and, if so, a list of the documents and information required.

If, as a result of any information or other matter which comes to the Manager's attention, any director, officer or employee of the Manager, or its professional advisers, knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

FINANCIAL REPORTING

The Fund is not a reporting issuer for the purpose of applicable securities legislation. The Fund will prepare semi-annual unaudited and annual audited financial statements which will be available at no cost by calling toll-free 1-888-710-4242 or visiting www.portlandic.com.

AUDITOR

The auditor of the Fund is KPMG LLP.

STATUTORY RIGHTS OF ACTION AND RESCISSION

Cooling-off Period

Securities legislation in certain provinces may give a purchaser certain rights of rescission, against the registered dealer who sold Units to them, but those rights must be exercised within a certain time period as little as forty-eight (48) hours following the purchase of a Unit.

Rights of Action for Damages or Rescission

In addition to and without derogation from any right or remedy that a purchaser of the Units may have at law, securities legislation in certain of the provinces and territories of Canada provides that a purchaser has or must be granted rights of rescission or damages, or both, where this Offering Memorandum and any amendment thereto contains a misrepresentation. However, such rights and remedies, or notice with respect thereto, must be exercised by the purchaser within the time limits prescribed by the applicable securities legislation.

As used herein, "**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement in this Offering Memorandum or any amendment hereto not misleading in light of the circumstances in which it was made. A "**material fact**" means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the Units. The meaning of "misrepresentation" and "material fact" may differ slightly depending on the jurisdiction.

In most jurisdictions there are defences available to the persons or companies that a purchaser may have a right to sue. In particular, in many jurisdictions, the person or company that a purchaser sues will not be liable if the purchaser knew of the misrepresentation when the purchaser purchased the Units. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed by the applicable securities legislation

The following is a summary of the rights of rescission or damages, or both, available to investors under the securities legislation of certain provinces and territories of Canada. Purchasers should refer to the applicable provisions of the securities legislation of their province or territory of residence for the particulars of statutory rights, if any, available to them in their province or territory, or consult with a legal adviser.

Rights for Purchasers in Ontario

If this Offering Memorandum, together with any amendment hereto, delivered to a purchaser of Units resident in Ontario contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will have, without regard to whether the purchaser

relied on such Misrepresentation, a right of action against the Fund for damages or, while still the owner of the Units purchased by that purchaser, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Fund, provided that:

(a) the Fund shall not be held liable pursuant to either right of action if the Fund proves the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in an action for damages, the Fund is not liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Units acquired by the purchaser as a result of the Misrepresentation relied upon;

(c) the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:

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

(ii) the Fund has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information;

(d) in no case shall the amount recoverable pursuant to such right of action exceed the purchase price of the Units acquired; and

(e) no action may be commenced to enforce such right of action more than:

(i) in the case of an action for rescission 180 days after the date of the acceptance of the purchaser's Subscription Agreement by the Manager; or

(ii) in the case of an action for damages, the earlier of:

(1) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or

(2) three years after the date of the acceptance of the purchaser's Subscription Agreement by the Manager.

The foregoing rights do not apply if the purchaser purchased Units of the Fund using the "accredited investor" exemption and is:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in

each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a Schedule III bank;

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

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

Rights for Purchasers in Alberta (purchasing under the $150,000 minimum amount investment exemption)

If this Offering Memorandum, or any amendment hereto, delivered to a purchaser of Units resident in Alberta purchasing under the $150,000 minimum amount investment exemption in National Instrument 45-106 – Prospectus and Registration Exemptions, contains a Misrepresentation, the purchaser to whom this Offering Memorandum has been delivered and who purchases Units offered hereunder will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase. Such purchaser will have a right of action a) for damages against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum or amendment hereto; or b) for rescission against the Fund, in which case the purchaser shall have no right of action for damages. The purchaser may exercise these rights provided that:

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

(b) no person or company (but excluding the Fund) will be liable if the person or company proves that:

(i) the Offering Memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave written notice to Fund that it was delivered without the person's or company's knowledge or consent; or

(ii) on becoming aware of any Misrepresentation in the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave written notice to the Fund of the withdrawal and the reason for it;

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

(d) 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 Units as a result of the Misrepresentation. The amount recoverable under this right of action will not exceed the price at which the Units were offered;

(e) no action shall be commenced to enforce such right of action unless the right is exercised:

(i) in the case of an action for rescission, no later than 180 days from the date of the transaction that gave rise to the cause of action; or

(ii) in the case of any action; other than an action for rescission, no later than the earlier of (I) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or (II) three years from the day of the transaction that gave rise to the cause of action.

A person or company is not liable in an action for a Misrepresentation in forward-looking information if the person or company proves that:

(a) this Offering Memorandum contains, proximate to that information:

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

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

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

If a Misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, the Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum.

Rights for Purchasers in Saskatchewan

If this Offering Memorandum or any amendment thereto or advertising or sales literature used in connection therewith delivered to a purchaser resident in Saskatchewan contains a Misrepresentation at the time of purchase, a purchaser will be deemed to have relied upon that Misrepresentation and will have a right of action for damages against the Fund, every promoter, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, every person or company who signed this Offering Memorandum and every person who or company, or director of such company, that sells the Units on behalf of the Fund under this Offering Memorandum or amendment thereto, or, alternatively, a purchaser may elect to exercise a right of rescission against the Fund, provided that among other limitations:

(a) no person or company is liable, nor does a right of rescission exist, where the person or company proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied on;

(c) in no case shall the amount recoverable exceed the price at which the Units were sold to the investor;

(d) no action shall be commenced to enforce these rights more than:

(i) 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

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

(e) a person or company is not liable in an action for a misrepresentation in forward-looking information if the person or company proves that:

(i) this Offering Memorandum contains, proximate to that information:

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

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

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

(f) no person or company (excluding the Fund) will be liable if the person or company proves that (i) the Offering Memorandum was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of its sending or delivery, the person or company immediately gave reasonable general notice to the Fund that it was sent or delivered without the person's or company's knowledge, or (ii) after delivery of this Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice to the Fund of the withdrawal and the reason for it; and

(g) no person or company (but excluding the Fund) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to

be a copy of or an extract from a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there have been no Misrepresentation, or believed there had been a Misrepresentation.

The Fund shall amend the Offering Memorandum if the distribution of the Units has not been completed and (i) there is a material change in the affairs of the Fund, (ii) it is proposed that the terms or conditions of the offering described in the Offering Memorandum be altered, or (iii) Units are to be distributed in addition to the Units previously described in the Offering Memorandum. A purchaser that receives an amended Offering Memorandum has the right to withdraw from the agreement to purchase the Units by delivering a notice to the person who or company that is selling the Units, indicating the purchaser's intention not to be bound by the purchase agreement. A purchaser must deliver the notice of withdrawal within two business days after receiving the amended Offering Memorandum.

These rights are subject to certain defences as more particularly described in *The Securities Act, 1988* (Saskatchewan).

Rights for Purchasers in Manitoba

If this Offering Memorandum delivered to a purchaser of Units resident in Manitoba contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied on such Misrepresentation and will have a right of action against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, every person or company who signed this Offering Memorandum, for damages or for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Fund, provided that among other limitations:

(a) the Fund will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

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

(c) other than with respect to the Fund, no person or company is liable if the person or company proves

(i) that this Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent; and

(ii) that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the person's or company's knowledge and consent;

(d) other than with respect to the Fund, no person or company is liable if the person or company proves that, after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;

(e) other than with respect to the Fund, no person or company is liable with respect to any part of this Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:

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

(ii) believed there had been a Misrepresentation;

(f) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser; and

(g) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:

(i) in the case of an action for rescission, 180 days after the date of purchase of the Units; or

(ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the Misrepresentation, and (B) two years after the date of purchase of the Units.

A person or company is not liable in an action for a Misrepresentation in forward-looking information if the person or company proves that:

(a) this Offering Memorandum contains, proximate to that information:

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

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

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

If a Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum.

Rights for Purchasers in Québec

Under legislation adopted but not yet in force in Québec, if this Offering Memorandum, together with any amendment to this Offering Memorandum, delivered to a purchaser of Units resident in Québec contains a Misrepresentation, the purchaser will have (i) a right of action for damages against the Fund, every person acting in a capacity with respect to the Fund which is similar to that of a director of officer

of a company and the dealer (if any) under contract to the Fund, or (ii) a right of action against the Fund for rescission of the purchase contract or revision of the price at which Units were sold to the purchaser.

No person or company will be liable if it proves that:

(a) the purchaser purchased the Units with knowledge of the Misrepresentation; or

(b) in an action for damages, that it acted prudently and diligently (except in an action brought against the Fund).

No person will be liable for a Misrepresentation in forward-looking information if the person proves that:

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

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

No action may be commenced to enforce such a right of action:

(a) for rescission or revision of price more than three years after the date of the purchase; or

(b) for damages later than the earlier of:

(i) three years after the purchaser first had knowledge of the facts giving rise to the cause of action, except on proof of tardy knowledge imputable to the negligence of the purchaser; or

(ii) five years from the filing of this Offering Memorandum with the Autorité des marchés financiers de Québec.

Rights for Purchasers in New Brunswick

Where this Offering Memorandum, or any amendment hereto, contains a Misrepresentation, a purchaser resident in New Brunswick to whom this Offering Memorandum has been delivered and who purchases the Units shall be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase, and the purchaser has a right of action for damages against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, and every person who signed this Offering Memorandum, or the purchaser may elect to exercise a right of rescission against the Fund, in which case the purchaser shall have no right of action for damages against the Fund, provided that, among other limitations:

(a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the 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 Units as a result of the Misrepresentation relied upon;

(c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Units were offered;

(d) a person is not liable in an action for a Misrepresentation in forward-looking information if the person proves all of the following:

(i) this Offering Memorandum contains, proximate to that information:

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

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

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

(e) no action shall be commenced to enforce these statutory rights of action more than

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

(ii) in an action for damages, the earlier of: (i) one year after the purchaser 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.

Rights for Purchasers in Nova Scotia

Where this Offering Memorandum or any amendment hereto or any advertising or sales literature contains a Misrepresentation, a purchaser resident in Nova Scotia to whom this Offering Memorandum has been delivered and who purchases the Units shall be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and the purchaser has a right of action for damages against the Fund and, subject to certain additional defences, against every person acting in a capacity with respect to the Fund which is similar to that of a director of a company and every person who signed this Offering Memorandum, or alternatively, may elect to exercise a right of rescission against the Fund, provided that, among other limitations:

a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the 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 Units as a result of the Misrepresentation relied upon;

c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Units were offered;

d) a person or company is not liable in an action for a Misrepresentation in forward-looking information if the person proves all of the following things:

(i) this Offering Memorandum contains, proximate to that information:

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

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

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

(e) no person or company other than the Fund is liable if the person or company proves that:

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

(ii) after delivery of this Offering Memorandum or the amendment to this Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation in this Offering Memorandum, or amendment to this Offering Memorandum, the person or company withdrew the person's or company's consent to this Offering Memorandum, or the amendment to this Offering Memorandum, and gave reasonable general notice of the withdrawal and the reason for it;

f) other than with respect to the Fund, no person or company is liable with respect to any part of this Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:

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

(ii) believed there had been a Misrepresentation;

(g) no action may be commenced to enforce a right of action more than 120 days:

(i) after the date on which payment was made for the Units; or

(ii) after the date on which the initial payment was made.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or an amendment to this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum or an amendment to this Offering Memorandum.

Rights for Purchasers in Newfoundland and Labrador

If this Offering Memorandum, together with any amendment to this Offering Memorandum or any record incorporated by reference in, or considered to be incorporated into this Offering Memorandum contains a Misrepresentation and it was a Misrepresentation at the time of purchase, a purchaser in Newfoundland and Labrador has, in addition to any other right that the purchaser may have under law and without regard to whether the purchaser relied on the Misrepresentation, a right of action for damages against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of this Offering Memorandum and every person who signed this Offering Memorandum, for damages or, alternatively, while still the owner of the purchased Units, for rescission against the Fund (in which case the purchaser will cease to have a right of action for damages), provided that:

(a) no action shall be commenced to enforce the foregoing rights:

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

(ii) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action; or (ii) three years after the date of the transaction that gave rise to the cause of the action;

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

(c) no person or company (other than the Fund) will be liable if:

(i) the person or company proves that this Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person or company;

(ii) the person or company proves that the person or company, on becoming aware of any Misrepresentation in this Offering Memorandum, withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice of the withdrawal to the Fund and the reason for it; and

(iii) with respect to any part of this Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i)

failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation; or (ii) believed that there had been a Misrepresentation;

(d) a person or company is not liable in an action for a Misrepresentation in forward-looking information if the person proves all of the following:

(i) this Offering Memorandum contains, proximate to that information:

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

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

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

(e) in an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation; and

(f) in no case shall the amount recoverable exceed the price at which the Units were offered to the purchaser under this Offering Memorandum.

Rights for Purchasers in Prince Edward Island

If this Offering Memorandum, together with any amendment to this Offering Memorandum, delivered to a purchaser resident in Prince Edward Island contains a Misrepresentation and it was a Misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the Misrepresentation and will have a right of action against the Fund, and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of this Offering Memorandum and every person who signed this Offering Memorandum, for damages or, alternatively, while still the owner of the Units, for rescission against the Fund, provided that:

(a) no action shall be commenced to enforce the foregoing rights:

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

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

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

(c) no person or company (other than the Fund) will be liable if it proves that (i) the Offering Memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, or (ii) on becoming aware of any Misrepresentation in the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice of the withdrawal and the reason for it;

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

(e) a person is not liable in an action for a Misrepresentation in forward-looking information if:

(i) this Offering Memorandum contains, proximate to that information:

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

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

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

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

(g) in no case shall the amount recoverable exceed the price at which the Units were sold to the purchaser.

Rights for Purchasers in Northwest Territories, Yukon and Nunavut

If this Offering Memorandum, together with any amendment to this Offering Memorandum, delivered to a purchaser resident in the Northwest Territories, Yukon or Nunavut contains a Misrepresentation and it was a Misrepresentation at the time of purchase, the purchaser will have, without

regard to whether the purchaser relied on the Misrepresentation, a right of action against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a corporation at the date of this Offering Memorandum and every person who signed this Offering Memorandum, for damages or, alternatively, while still the owner of the Units, for rescission against the Fund, provided that:

(a) no action shall be commenced to enforce the foregoing rights:

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

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

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

(c) no person (other than the Fund) will be liable if it proves that (i) the Offering Memorandum was delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave reasonable general notice that it was delivered without the person's knowledge or consent, or (ii) on becoming aware of any Misrepresentation in the Offering Memorandum, the person withdrew the person's consent to the Offering Memorandum and gave reasonable general notice of the withdrawal and the reason for it;

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

(e) a person is not liable in an action for a Misrepresentation in forward-looking information if:

(i) this Offering Memorandum contains, proximate to that information:

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

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

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

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

(g) in no case shall the amount recoverable exceed the price at which the Units were sold to the purchaser.

General

The foregoing summaries are subject to the express provisions of the applicable securities legislation and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

DATED the 17th day of December, 2012

Portland Investment Counsel Inc.,
as trustee, manager and promoter of Portland Private Income Fund

"Michael Lee-Chin"	*"Kevin Gould"*
Michael Lee-Chin	Kevin Gould
Director, Executive Chairman, Chief Executive Officer, Chief Investment Officer and Portfolio Manager	Chief Financial Officer

On behalf of the Board of Directors of
Portland Investment Counsel Inc.

"Robert Almeida"	*"Frank Laferriere"*
Robert Almeida	Frank Laferriere
Director	Director

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