



# Offering Memorandum

Equicapita Income Trust

Preferred C Trust Units, Series A  
Preferred C Trust Units, Series F

## Offering Memorandum

**No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. The information disclosed on this page is a summary only. Purchasers should read the entire Offering Memorandum for full details about the Offering. This is a risky investment. See Item 8 - Risk Factors.**

Date: April 14, 2021  
 The Issuer: Equicapita Income Trust  
 Address: #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5  
 Phone: (587) 393-0893  
 Website: <https://www.equicapita.com/>  
 Email: [distributions@equicapita.com](mailto:distributions@equicapita.com)

Currently listed or quoted? **No. These securities do not trade on any exchange or market.**  
 Reporting issuer? No.  
 SEDAR filer? Yes, to the limited extent prescribed by Canadian Securities Administrators National Instrument 45-106 – *Prospectus Exemptions*.

### The Offering

<b>Securities Offered:</b>	<p>The securities being offered pursuant to this offering (the "<b>Offering</b>") are units of Equicapita Income Trust (the "<b>Trust</b>"), which are comprised of:</p> <ul style="list-style-type: none"> <li><b>preferred C units, series A</b> (the "<b>Preferred C Trust Units, Series A</b>"): This series of units is offered to purchasers who are not eligible to purchase Preferred C Trust Units, Series F; and</li> <li><b>preferred C units, series F</b> (the "<b>Preferred C Trust Units, Series F</b>"): This series of units is offered to purchasers who purchase such units through a dealer sponsored fee for service or wrap program and who pay an asset-based fee to their dealer</li> </ul> <p>(collectively, the "<b>Offered Units</b>").</p> <p>See Item 5.1 - <i>Terms of Securities</i> for the terms of the Offered Units.</p>
<b>Price per Security:</b>	<p>The price per Offered Unit will be determined by Equicapita Income GP Ltd. (the "<b>Administrator</b>"), the administrator of the Trust, from time to time, and will be set forth in the subscription agreement(s) entered into between the subscriber (the "<b>Subscriber</b>") and the Trust, in each case. The price per Offered Unit will be determined with reference to the net asset value of Equicapita Income L.P.</p>
<b>Minimum/Maximum Offering and Insufficient Funds:</b>	<p><b>There is no maximum or minimum offering. You may be the only purchaser.</b></p> <p><b>Funds available under the Offering may not be sufficient to accomplish our proposed objectives. See Item 4 - Capital Structure, Item 2.6 - Insufficient Funds and Item 8 - Risk Factors.</b></p>
<b>Minimum Individual Subscription Amount:</b>	<p>Except with the consent of the Administrator of the Trust, the minimum subscription is \$5,000. See Item 2.1 - <i>Structure</i>, Item 5.1 - <i>Terms of Securities</i> and Item 5.2 - <i>Subscription Procedure</i>.</p>
<b>Payment Terms:</b>	<p>Payment in full by certified cheque, bank draft or wire transfer of the aggregate subscription amount payable to the Trust with the delivery of a duly executed and completed subscription agreement. See Item 5.2 - <i>Subscription Procedure</i>.</p>
<b>Proposed Closing Date(s):</b>	<p>Closings will occur from time to time at the discretion of the Administrator.</p>
<b>Income Tax Consequences:</b>	<p>There are important tax consequences to these securities. The Trust has been advised that, provided that the Trust qualifies as a "mutual fund trust" for purposes of the Income Tax Act at all relevant times, the Offered Units will be qualified investments for Exempt Plans. Although it is intended that the Trust qualify as a "mutual fund trust" pursuant to the Income Tax Act, the Trust will not be a "mutual fund" under applicable securities laws. See Item 6 - <i>Certain Income Tax Consequences And Exempt Plan Eligibility</i>.</p>
<b>Selling Agents and Compensation Paid to Sellers and Finders:</b>	<p>The Trust will retain several non-exclusive securities dealers to effect sales of Offered Units. Where allowed by applicable securities legislation, dealers who distribute Offered Units may be paid a sales commission as set forth below:</p> <ul style="list-style-type: none"> <li><b>Preferred C Trust Units, Series A:</b> Any sales commissions on Preferred C Trust Units, Series A are paid by the Subscriber to the dealer and are in addition to, and do not form part of, the purchase price of the Preferred C Trust Units, Series A. Sales commissions may be negotiated between the dealer and the Subscriber.</li> <li><b>Preferred C Trust Units, Series F:</b> No sales commission.</li> </ul> <p>See Item 7 - <i>Selling Agents And Compensation Paid To Sellers And Finders</i>.</p>

<b>Payments to Related Party:</b>	All of your investment will be paid to the Partnership, a related party of the Trust, by the purchase of units in the Partnership. The Partnership will use the gross proceeds it receives from the investment by the Trust to invest in Investco. See Item 1.2 - <i>Use of Available Funds</i> .
<b>Resale Restrictions:</b>	<b>The Offered Units are subject to restrictions on resale. There is no market for the Offered Units and none is expected to develop and, therefore, it may be difficult or impossible for the Subscriber to sell the Offered Units. You will be restricted from selling your Offered Units for an indefinite period. See Item 10 - <i>Resale Restrictions</i>.</b>
<b>Redemption and Retraction Rights:</b>	<p>An investment in the Offered Units is only suitable for purchasers who are able to make a long-term investment and do not need full liquidity with respect to this investment. Redemption rights under the Declaration of Trust are restricted and provide limited opportunity for purchasers to liquidate their investment in the Offered Units. As a result, you might not receive the amount of proceeds that you want.</p> <p><b>Redemption Right of the Preferred Trust Unitholder</b></p> <p>A Preferred Trust Unitholder is entitled to require the Trust to redeem, at any time at the demand of the holder, all or any part of the Preferred Units of the Trust registered in the name of the Preferred Trust Unitholder. For a Unitholder to redeem its Units, a duly completed and properly executed notice requiring the Trust to redeem such Units, in a form approved by the Trustees, shall be sent to the Trust, together with any Unit certificate, if any, representing the Units to be redeemed. The redemption price per Preferred Unit of the Trust to be received on redemption by the holder is equal to the redemption price of the Corresponding LP Unit, which is equal to the lesser of: (i) the Market Value of such Corresponding LP Unit as at the date upon which such Corresponding LP Unit was tendered for redemption; and (ii) \$1.00 minus any amount distributed in respect of such Corresponding LP Unit in respect of Return of Capital; in each case, multiplied by 90%.</p> <p>The payment of the redemption price shall be paid by cash, provided that the Trust shall only be obligated to pay up to \$10,000 in cash in respect of redemptions in any calendar month, unless the Trustees determines a greater cash amount. Such cash amount shall be paid <i>pro rata</i> to redeeming Preferred Trust Unitholders. The balance of the redemption price for Preferred Units of the Trust will be paid through the issuance of Redemption Notes and/or distribution, <i>in specie</i>, of Trust Property. There will be no market for Redemption Notes. <b>Redemption Notes are not qualified investments for Exempt Plans.</b> See Item 6 - <i>Certain Income Tax Consequences And Exempt Plan Eligibility</i>.</p> <p><b>Redemption Right of the Trust</b></p> <p>The Trustees, at any time and from time to time, have the right to redeem the whole or any part of the then outstanding Preferred Units of the Trust from any one or more of the holders thereof as the Trustees may in their sole discretion determine. The redemption price per Preferred Unit of the Trust to be received on redemption by the Trust is equal to the redemption price of the Corresponding LP Unit, which is equal to the Market Value of such Corresponding LP Unit as at the date that the notice of redemption was provided.</p> <p>The payment of the redemption price shall be paid by any combination of cash, the issuance of Redemption Notes and/or distribution, in specie, of Trust Property, provided that any cash amount shall be paid <i>pro rata</i> to redeeming Preferred Trust Unitholders.</p> <p>Reference should be made to the Declaration of Trust for a complete description of all the terms of the Offered Units. See Item 2.7.1 - <i>Declaration of Trust - Redemption Rights</i> and Item 5.1 - <i>Terms of Securities -Redemption and Retraction Rights</i>.</p>
<b>Purchasers' Rights:</b>	If you are purchasing Offered Units pursuant to the offering memorandum exemption contained in Section 2.9 of National Instrument 45-106 – <i>Prospectus Exemptions</i> , you have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 - <i>Purchasers' Rights</i> .

## TABLE OF CONTENTS

<b>CAUTIONARY STATEMENTS .....</b>	<b>1</b>
<b>GLOSSARY OF TERMS.....</b>	<b>3</b>
<b>SUMMARY OF THIS OFFERING MEMORANDUM.....</b>	<b>11</b>
<b>ITEM 1 - USE OF AVAILABLE FUNDS .....</b>	<b>18</b>
1.1 Funds.....	18
1.2 Use of Available Funds .....	18
1.2.1 Use of Available Funds by the Trust/Partnership .....	18
1.2.2 Use of Available Funds by Investco .....	18
1.3 Reallocation .....	19
<b>ITEM 2 - BUSINESS OF EQUICAPITA AND OTHER INFORMATION AND TRANSACTIONS .....</b>	<b>19</b>
2.1 Structure .....	19
2.1.1 The Trust .....	19
2.1.2 The Trustees.....	19
2.1.3 The Administrator .....	20
2.1.4 The Partnership/Parallel Investment Entities .....	20
2.1.5 The General Partner .....	20
2.1.6 Investco .....	20
2.1.7 Service Provider .....	20
2.1.8 Special Limited Partner.....	20
2.1.9 Qwest Investment Fund Management Ltd. ....	21
2.2 The Business .....	21
2.2.1 Business Strategy.....	21
2.2.2 Acquisition, Strategy and Investment Criteria.....	21
2.2.3 Portfolio Companies .....	22
2.2.4 Acquisitions and Divestitures .....	23
2.2.5 COVID-19.....	24
2.3 Development of the Business.....	24
2.4 Long Term Objectives .....	25
2.4.1 Long Term Objectives of the Trust.....	25
2.4.2 Long Term Objectives of the Partnership/Investco.....	25
2.5 Short Term Objectives and How We Intend to Achieve Them.....	25
2.5.1 Short Term Objectives of the Trust/Partnership .....	25
2.5.2 Short Term Objectives of Investco .....	25
2.6 Insufficient Funds.....	25
2.7 Material Contracts .....	26
2.7.1 Declaration of Trust .....	26
2.7.2 LP Agreement.....	30
2.7.3 Administration Agreement.....	35
2.7.4 Reimbursement Agreement.....	36
2.7.5 Services Agreement .....	36
2.7.6 Summary of Distribution Reinvestment Plan.....	38
2.8 Legal Proceedings .....	38
<b>ITEM 3 - COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES .....</b>	<b>39</b>
3.1 Compensation and Securities Held .....	39
3.2 Management Experience .....	39
3.3 Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters .....	40
3.4 Certain Loans.....	40
<b>ITEM 4 - CAPITAL STRUCTURE .....</b>	<b>40</b>
4.1 Securities Except for Debt.....	40
4.1.1 Trust Securities Except for Debt .....	40
4.1.2 Partnership Securities Except for Debt .....	41
4.2 Indebtedness .....	42

4.3	Prior Sales by the Trust.....	43
4.4	Prior Sales by the Partnership.....	44
<b>ITEM 5 - SECURITIES OFFERED .....</b>		<b>44</b>
5.1	Terms of Securities .....	44
5.2	Subscription Procedure.....	48
<b>ITEM 6 - CERTAIN INCOME TAX CONSEQUENCES AND EXEMPT PLAN ELIGIBILITY .....</b>		<b>49</b>
<b>ITEM 7 - SELLING AGENTS AND COMPENSATION PAID TO SELLERS AND FINDERS.....</b>		<b>52</b>
<b>ITEM 8 - RISK FACTORS .....</b>		<b>52</b>
<b>ITEM 9 - REPORTING OBLIGATIONS.....</b>		<b>63</b>
<b>ITEM 10 - RESALE RESTRICTIONS.....</b>		<b>63</b>
<b>ITEM 11 - PURCHASERS' RIGHTS .....</b>		<b>64</b>
11.1	Statements Regarding Purchasers' Rights .....	64
11.2	Cautionary Statement Regarding Report, Statement or Opinion by Expert .....	67
<b>ITEM 12 - FINANCIAL STATEMENTS .....</b>		<b>1</b>
<b>ITEM 13 - DATE AND CERTIFICATE.....</b>		<b>1</b>

## CAUTIONARY STATEMENTS

### About this Offering Memorandum

This Offering is being made pursuant to certain prospectus exemptions contained in NI 45-106. This Offering Memorandum constitutes an offering of securities only in these jurisdictions and only to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. Under no circumstances will the Administrator accept a subscription for Offered Units if its distribution cannot be made in reliance on any such exemption. Persons resident in the province of Québec are not permitted to rely on the offering memorandum exemption contained in Section 2.9 of NI 45-106.

**Prospective investors should rely only on the information contained in this Offering Memorandum and should not rely on some parts of this Offering Memorandum to the exclusion of others. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.**

Unless the context otherwise requires, all references in this Offering Memorandum to "**Equicapita**" refer collectively to the Trust, the Partnership, the Administrator, the General Partner, Investco and any additional parallel investment entities (including the NR Partnership) that may be established from time to time to facilitate investments by investors with special legal, regulatory, tax or other requirements.

### Forward-Looking Information

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

Forward-looking information contained in this Offering Memorandum includes, but is not limited to, statements with respect to: the use of proceeds of the Offering; the businesses to be acquired by Investco; the expected indebtedness of Equicapita; long term and short term objectives; timing and payment of distributions (including the effect of COVID-19 on distributions); the expected effects of COVID-19 on the results and operations of Equicapita and the Portfolio Companies; Equicapita's investment objectives and strategies; the liquidity event to be sought by the General Partner; treatment under government regulatory regimes and tax laws; dissolution of the Trust and the Partnership; the results of investments, the timing thereof and the methods of funding; the SME sector and demographics and investment opportunities.

Forward-looking information is based on a number of assumptions which have been used to develop such information but which may prove to be incorrect. In addition to other assumptions which may be identified in this Offering Memorandum, assumptions have been made regarding, among other things: the Trust's qualification as a "mutual fund trust" and not as a "SIFT trust" under the Income Tax Act; availability of and opportunity to engage in future deal flow; use of proceeds of the Offering; benefits of the Acquisitions; the retention of securities dealers in connection with the Offering and payment of fees to those securities dealers; the general stability of the economic and political environment in which Equicapita operates; Equicapita's investment objectives and investment strategies; timing and payment of distributions; treatment under governmental regulatory regimes, securities laws and tax laws; the ability of Equicapita to obtain qualified staff, equipment and services in a timely and cost efficient manner; that the global economy, general economic conditions and financial markets will not, in the long-term, be adversely impacted by COVID-19; operational disruptions to Equicapita and the Portfolio Companies resulting from the temporary restrictions that governments imposed on businesses to address COVID-19 will not be long-term; the ability of Equicapita and the Portfolio Companies to keep essential operational staff in place as a result of COVID-19; valuation of Equicapita's investments; the timing of dissolution of the Trust and the Partnership; the possibility of substantial redemptions of Preferred Units of the Trust, and accordingly, Preferred Units of the LP; and currency, exchange and interest rates.

Forward-looking information is based on the current expectations, estimates and projections of the Trust and involve a number of known and unknown risks and uncertainties which would cause actual results or events to differ materially from those presently anticipated, including those risks described under Item 8 - *Risk Factors*, many of which are beyond the control of the Trust, the Trustees and the Administrator. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward-looking information include, but are not limited to, general economic, political, market and business factors and conditions; interest rate fluctuations; statutory and regulatory developments; unexpected judicial or regulatory proceedings; catastrophic events; and other factors set out under Item 8 - *Risk Factors*. Readers are cautioned that Item 8 - *Risk Factors* is not exhaustive.

Although Equicapita believes that the expectations reflected in the forward-looking information are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Because of the risks, uncertainties and assumptions contained herein, prospective investors should not place undue reliance on forward-looking information. Equicapita's actual results, performance or

achievement could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Trust will derive therefrom.

The Trust has included the above summary of risks related to forward-looking information provided in this Offering Memorandum in order to provide prospective purchasers with a more complete perspective on Equicapita's current and future operations and such information may not be appropriate for other purposes. This forward-looking information is given as of the date of this Offering Memorandum and the Trust and the Administrator, for itself and on behalf of the Trustees, disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. The forward-looking information contained in this document is expressly qualified by the foregoing cautionary statements.

### **Marketing Materials**

Any "OM marketing materials" (as such term is defined in NI 45-106) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective purchaser before the termination of such distribution will be, and will be deemed to be, incorporated by reference into this Offering Memorandum, provided that any OM marketing materials to be incorporated by reference into this Offering Memorandum are not part of the Offering Memorandum to the extent that the contents of such OM marketing materials have been modified or superseded by a statement contained in an amended or amended and restated Offering Memorandum or OM marketing materials subsequently delivered or made reasonably available to a prospective purchaser prior to the execution of the subscription agreement by the purchaser. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded is not deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

### **Market and Industry Data**

This Offering Memorandum and OM marketing materials incorporated by reference may contain statistical data, market research and industry forecasts that were obtained from government or other industry publications and reports or are based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While the Administrator believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Neither the Trust nor the Administrator has independently verified any of the data from independent third party sources referred to in this Offering Memorandum or ascertained the underlying assumptions relied upon by such sources.

## GLOSSARY OF TERMS

"**A&R**" means A&R Metal Industries Ltd.

"**ABCA**" means the *Business Corporations Act* (Alberta).

"**Acquisitions**" means the acquisitions of Levy's, Metercor, A&R, a 70% equity interest in Metro, an 80% equity interest in Nutter's, Smitty's, ESP, I-XL, Shaw Group, Master Mechanic, a 70% equity interest in Wingenback and Visage by Investco completed on May 7, 2014, May 26, 2014, December 31, 2014, March 21, 2016, November 21, 2016, April 9, 2018, July 1, 2018, December 14, 2018, December 20, 2018, April 5, 2019, August 1, 2019 and December 31, 2019, respectively.

"**Administration Agreement**" means the administration agreement dated April 23, 2013, between the Administrator and the Trust, as amended, supplemented or amended and restated from time to time.

"**Administrator**" means Equicapita Income GP Ltd., a corporation incorporated under the laws of Alberta, and all successors and permitted assigns thereof.

"**affiliate**" of a person means any other person controlling, controlled by, or under common control with, such person.

"**associate**" means, in relation to another person ("**Other Person**"): (a) a person of which the Other Person beneficially owns or controls, directly or indirectly, (1) voting securities of such person (or securities currently convertible into voting securities) carrying more than 10% of the voting rights attached to outstanding securities of the person, or (2) a currently exercisable option or right to purchase those voting securities or those convertible securities; (b) any person who is a partner of the Other Person; (c) any trust or estate in which the Other Person has a substantial beneficial interest; or (d) in the case where the Other Person is an individual, a relative of that individual if the relative has the same home as that individual, including (1) the spouse of that individual; or (2) a relative of that individual's spouse.

"**Business**" means the business of investing in a diversified portfolio of operating businesses primarily located in Canada that have, among other things, demonstrated an ability to generate sustainable cash flow. Equicapita invests for the purpose of exercising, or seeking to exercise, control of businesses or assets or will participate actively in the management of the businesses or assets in which it invests. Equicapita primarily makes equity investments however, on a selective basis, Equicapita utilizes vendor financing.

"**business day**" means any day other than a Saturday, Sunday, a statutory holiday in the Province of Alberta or a day on which the principal chartered banks located at Calgary, Alberta are not generally open for the transaction of commercial business.

"**Carried Interest**" has the meaning ascribed thereto in Item 5.1 - *Terms of Securities - Distributions*.

"**Closing**" means a closing of the issue of Offered Units pursuant to the Offering contemplated by this Offering Memorandum.

"**Common LP Unitholder**" means a person whose name appears on the register of the Partnership as a holder of Common LP Units. As of the date of this Offering Memorandum, the General Partner is the only Common LP Unitholder of the Partnership.

"**Common LP Units**" means the common units of the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

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

"**Common Trust Unitholder**" means a person whose name appears on the register of the Trust as a holder of Common Trust Units.

"**control**", and related terms including "**controlling**" and "**controlled**", shall mean the possession by or on behalf of a person, or group of persons acting jointly or in concert, of the following in respect of another person: (i) in the case where the other person is a corporation, the power to vote more than 50% of the securities having ordinary voting power for the election of directors of such corporation; (ii) in the case where the other person is a limited partnership, the power to control the general partner of the limited partnership; and (iii) in the case where the other person is other than a corporation or limited partnership, any of: (1) the power to exercise more than 50% of the voting rights in such person; or (2) the right to receive more than 50% of the distributions made by that person.

"**Corresponding LP Unit**" means, with respect to a Preferred Unit of the Trust, the Preferred Unit of the LP that is acquired by the Trust with the proceeds the Trust receives from the issuance of such Preferred Unit of the Trust;

"**Counsel**" means Norton Rose Fulbright Canada LLP, counsel to the Trust.

"**COVID-19**" means the COVID-19 coronavirus, which the World Health Organization declared to be a pandemic on March 11, 2020.



**"Credit Facilities"** means, collectively, the revolving, term and operating loan facilities of up to \$131 million established in favour of Investco pursuant to an amended and restated credit agreement dated March 15, 2019 among Investco as borrower, the financial institutions party thereto from time to time, and ATB Financial as administrative agent for such lenders, as amended by a first amending agreement dated July 31, 2019, a second amending agreement dated December 24, 2019, a third amending agreement dated July 24, 2020, a fourth amending agreement dated December 23, 2020, and a fifth amending agreement dated March 9, 2021, as may be further amended, supplemented or restated from time to time.

**"Declaration of Trust"** means the amended and restated declaration of trust dated March 22, 2019 among the Trustees, the Administrator, the settlor of the Trust and each person who is or becomes a Unitholder, as such Declaration of Trust has been and may hereafter be amended, supplemented or amended and restated from time to time.

**"Distributable Cash"** of each class or series of Preferred Units of the Trust for, or in respect of, a Distribution Period shall be equal to:

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

less the sum of:

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

**"Distribution Amount"** means, in respect of any Distribution Period, the portion of Distributable Cash declared payable by the Trustees to the holders of each class or series of Preferred Units of the Trust of record as at the close of business on the Distribution Record Date for such Distribution Period.

**"Distribution Per Preferred Unit of the Trust"** has the meaning ascribed thereto in *Summary Of This Offering Memorandum - Distributions*.

**"Distribution Period"** means each three month period ending March 31, June 30, September 30 and December 31 in each calendar year, or such other periods as may be hereafter determined from time to time by the Trustees or the Administrator.

**"Distribution Record Date"** means the last business day in each Distribution Period or such other date as may be determined from time to time by the Trustees or the Administrator.

**"DRIP"** means the distribution reinvestment plan of the Trust.

**"ESP"** means, as the context so requires, 594739 Saskatchewan Ltd. (o/a ESP Salon Sales) or ESP Salon Sales Inc. (formerly 2127550 Alberta Ltd.), the subsidiary of Investco used to acquire the assets of 594739 Saskatchewan Ltd.

**"Exempt Plan"** mean a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**") or tax free savings account ("**TFSA**"), each as defined in the Income Tax Act; collectively herein referred to as "**Exempt Plans**".

**"Extension"** has the meaning ascribed thereto in Item 2.3 - *Development of the Business*.

**"General Partner"** means Equicapita Income GP Ltd., or if it ceases to be the general partner of Equicapita Income L.P., any successor general partner appointed in the manner provided in the LP Agreement; and, as the context requires, reference in this Offering Memorandum to "General Partner" shall also be construed to mean any other general partner of a limited partnership(s) which is affiliated with Equicapita Income L.P.

**"Guarantors"** means, with respect to the Credit Facilities, each of Levy's Machine Works Ltd., Metercor Inc., A&R Metal Industries Ltd., Metro Testing & Engineering Ltd., McIntyre Associates Software Ltd., Nutter's Bulk & Natural Foods Inc., Smitty's Canada Inc., ESP Salon Sales Inc., I-XL Building Products Inc., Shaw Dental Laboratory Inc., The Master Mechanic Inc., Master Mechanic Limited., Wingenback Ltd., Visage Cosmetics Limited, the General Partner, the Partnership and the NR Partnership.

**"I-XL"** means, as the context so requires, I-XL Building Products Ltd. or I-XL Building Products Inc. (formerly 2149823 Alberta Ltd.), the subsidiary of Investco used to acquire the assets of I-XL Building Products Ltd.

**"Income Tax Act"** means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, each as amended from time to time.

**"Investco"** means Equicapita Investment Corp., a subsidiary of the Partnership.

**"Levy's"** means Levy's Machine Works Ltd.

**"Limited Partners"** means the Special Limited Partner and holders of Preferred Units of the LP or Common LP Units whose names and other prescribed information appear on the record of limited partners of the Partnership pursuant to the Partnership Act, and each of them, a "**Limited Partner**".

**"LP Agreement"** means the amended and restated limited partnership agreement governing the Partnership dated March 22, 2019 among the General Partner, as general partner, the Trust and such other persons who become Limited Partners in accordance with the terms of such agreement, as the same may be amended, supplemented or amended and restated from time to time; and, as the context requires, reference in this Offering Memorandum to "LP Agreement" shall also be construed to mean and include any other limited partnership agreement of a parallel investment entity (including the NR Partnership) that may be established from time to time to facilitate investments by investors with special legal, regulatory, tax or other requirements.

**"LP Distributable Cash"** for, or in respect of, a LP Distribution Period shall be equal to (without duplication):

- (a) all cash or cash equivalents which are received by the Partnership for, or in respect of, such LP Distribution Period, including amounts on account of interest, income, dividends, returns of capital, amounts paid on debt held by the Partnership, capital gains, and such other amounts as may be determined from time to time by the General Partner to be included in "LP Distributable Cash" (which may include amounts taken, in the discretion of the General Partner, out of the Partnership's reserves as well as amounts from the proceeds of any debt or equity financing by the Partnership);

less the sum of:

- (b) all amounts paid on account of expenses and liabilities for, or in respect of, such LP Distribution Period as well as an amount for all expenses and liabilities of the Partnership which, in the opinion of the General Partner, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such LP Distribution Period or a prior LP Distribution Period if not accrued in such prior period including, without limitation, any accrued liability in respect of undeclared and accumulated distributions on the Preferred Units of the LP;
- (c) all amounts which relate to the repayment, during the LP Distribution Period, of any amount (principal or interest) in respect of any indebtedness of the Partnership;
- (d) all cash amounts used during such LP Distribution Period for or in connection with loans, advances, investments or other acquisitions of assets by the Partnership;
- (e) the aggregate amount of all cash amounts used, or to be used, in respect of the redemption or repurchase of Preferred Units of the LP called for redemption or repurchase;
- (f) any amount, in addition to those amounts set forth (b) to (d) above (inclusive), which the General Partner may reasonably consider to be necessary to provide for (i) the payment of any liabilities which have been or will be incurred by the Partnership to the extent that such liabilities have not otherwise been taken into account in determining the LP Distributable Cash hereunder, or (ii) for pursuing any purpose or activity of the Partnership; and
- (g) an amount, as determined in the discretion of the General Partner, for reasonable reserves (or increases thereto) to be maintained in connection with the prudent operation of the Business of the Partnership.

**"LP Distribution Amount"** means, in respect of any LP Distribution Period, the portion of LP Distributable Cash declared payable by the General Partner to LP Unitholders of record as at the close of business on the LP Distribution Record Date for such LP Distribution Period.

**"LP Distribution Payment Date"** means, unless otherwise determined in the discretion of the General Partner, the 45th day which immediately follows a LP Distribution Period; and also refers to such other dates as may be hereafter determined from time to time by the General Partner.

**"LP Distribution Period"** means each three month period ending March 31, June 30, September 30 and December 31 in each calendar year, or such other periods as may be hereafter determined from time to time by the General Partner.

**"LP Distribution Record Date"** means the last business day in each LP Distribution Period or such other date as may be determined from time to time by the General Partner.

**"LP Unitholder"** means a person whose name appears on the register of the Partnership as a holder of one or more LP Units, and such holders are collectively called **"LP Unitholders"**.

**"LP Units"** means the Common LP Units and/or Preferred Units of the LP, as the case may be, and references in this Offering Memorandum to LP Units shall mean a reference to Common LP Units and/or Preferred Units of the LP, as the context so requires and

**"LP Unit"** means a Common LP Unit or Preferred Unit of the LP, as the case may be.

**"Management"** means, as the context so requires, the General Partner and its directors and officers or Investco and its directors and officers.

**"Management Fee"** means a monthly fee payable by the Partnership to the Service Provider equal to an annual rate of 1.3% of the gross purchase price paid by investors for Preferred Units of the LP (including the Trust), as at the last date of the preceding month, calculated and payable in advance at the beginning of each month. Parallel investment entities (including the NR Partnership) may also pay a management fee, which may be different than the Management Fee. As a result of COVID-19, Investco agreed with the lenders to the Credit Facilities to reduce the Management Fee by 15% effective for the period between April 1, 2020 and December 31, 2020. Although such agreement between Investco and the lenders expired, the Service Provider voluntarily maintained such reduction until March 31, 2021.

**"Market Value"** means, with respect to a Preferred Unit of the LP being redeemed, a price equal to the value of such Preferred Unit of the LP, such price to be determined on the assumption that the assets of the Partnership were on the date of determination sold for their fair market value determined in accordance with the LP Agreement and the proceeds therefrom were on the date of determination distributed to the partners of the Partnership in accordance with the LP Agreement, after credit or debit, as the case may be, for the amount of the Partnership's other assets and liabilities.

The fair market value of the assets of Partnership as at the date upon which such Preferred Units of the LP were tendered for redemption shall be determined by the General Partner in its sole discretion, acting reasonably.

**"Master Mechanic"** means collectively, The Master Mechanic Inc. and Master Mechanic Limited.

**"Metercor"** means Metercor Inc.

**"Metro"** means, as the context so requires Canadian Construction Materials Engineering & Testing Ltd. or Metro Testing & Engineering Ltd. (formerly Canadian Construction Materials Engineering & Testing Inc.), the subsidiary of Investco used to acquire the assets of Canadian Construction Materials Engineering & Testing Inc.

**"NI 45-106"** means National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators.

**"Non-Resident"** means a person who, at the relevant time, is not resident in Canada within the meaning of the Income Tax Act and any applicable tax convention entered into by the Government of Canada and includes a partnership that is not a "Canadian partnership" within the meaning of the Income Tax Act.

**"NR Partnership"** means Equicapita Income (NR) L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the limited partnership agreement dated August 13, 2019.

**"Nutter's"** means, as the context so requires, Nutter's Bulk & Natural Foods Ltd. or Nutter's Bulk & Natural Foods Inc. (formerly 1999593 Alberta Ltd.), the subsidiary of Investco used to acquire the assets of Nutter's Bulk & Natural Foods Inc.

**"NWC"** means North West Crane Enterprises Ltd.

**"Offered Units"** means, collectively, the Preferred C Trust Units, Series A and Preferred C Trust Units, Series F, and each of them, an **"Offered Unit"**.

**"Offering"** means the offering and distribution of Offered Units, as contemplated pursuant to this Offering Memorandum or such other later dated offering memorandum as may be distributed by the Trust in respect of the offering of its Offered Units.

**"Offering Memorandum"** means this offering memorandum of the Trust dated April 14, 2021 as the same may be amended or amended and restated from time to time.

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

**"Other Trust Securities"** means any type of securities of the Trust, other than Units, including options, rights, warrants or other securities convertible into or exercisable for Units or other securities of the Trust (including convertible debt securities, subscription receipts and installment receipts).

**"Partnership"** means the limited partnership formed under the laws of the Province of Alberta pursuant to the LP Agreement, and which is known as "Equicapita Income L.P." and, as the context requires, reference in this Offering Memorandum to "Partnership" shall also be construed to mean and include any parallel investment entities (including the NR Partnership) that may be established from time to time to facilitate investments by investors with special legal, regulatory, tax or other requirements.

**"Partnership Act"** means the *Partnership Act* (Alberta) as amended and in force from time to time.

**"Partnership Property"**, at any time, means all of the money, properties, securities and other assets of any nature or kind whatsoever as are, at such time, held by the Partnership or by the General Partner on behalf of the Partnership, and any reference to **"property of the Partnership"** or **"assets of the Partnership"** includes, in each case, the Partnership Property.

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

**"Portfolio Companies"** means the businesses acquired by Equicapita, which includes the businesses acquired pursuant to the Acquisitions.

**"Preferred A1 LP Unit"** means a preferred A1 unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred B LP Unit"** means a preferred B unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred B Trust Unit"** means a preferred B unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred B Trust Unit, Series A"** means a preferred B unit, series A of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred B Trust Unit, Series F"** means a preferred B unit, series F of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred B1 LP Unit"** means a preferred B1 unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred B1 LP Unit, Series A"** means a preferred B1 unit, series A of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred B1 LP Unit, Series F"** means a preferred B1 unit, series F of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred C LP Unit"** means a preferred C unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred C Trust Unit"** means a preferred C unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred C Trust Unit, Series A"** means a preferred C unit, series A of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred C Trust Unit, Series F"** means a preferred C unit, series F of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred C1 LP Unit"** means a preferred C1 unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred C1 LP Unit, Series A"** means a preferred C1 unit, series A of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred C1 LP Unit, Series F"** means a preferred C1 unit, series F of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred D LP Unit"** means a preferred D unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred D Trust Unit"** means a preferred D unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred D1 LP Unit"** means a preferred D1 unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred E LP Unit"** means a preferred E unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred E Trust Unit"** means a preferred E unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, limitations, restrictions and conditions set out in the Declaration of Trust.

**"Preferred E1 LP Unit"** means a preferred E1 unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred LP Unit"** means a preferred unit of beneficial interest in the Partnership issued from time to time in accordance with the LP Agreement and having the rights, privileges, limitations, restrictions and conditions set out in the LP Agreement.

**"Preferred LP Unitholder"** means a person whose name appears on the register of the Partnership as a holder of Preferred Units of the LP.

**"Preferred Return"** means a cumulative distribution at an annual rate equal to the Specified Rate per Preferred Unit of the LP per year calculated on an amount equal to \$1.00 less the Return of Capital in respect of such Preferred Unit of the LP calculated from the later of: (i) March 22, 2019; and (ii) issuance date of such Preferred Unit of the LP; through the calendar day immediately preceding the date on which the Return of Capital is distributed to the holder of such Preferred Unit of the LP. The Preferred Return in respect of a Preferred Unit of the LP will compound annually only with respect to the portion of the Preferred Return that is not paid or payable to the holder of such Preferred Unit of the LP as at the end of each fiscal year of the Partnership.

**"Preferred Trust Unit"** means a preferred unit of beneficial interest in the Trust issued from time to time in accordance with the Declaration of Trust and having the rights, privileges, restrictions and conditions set out in the Declaration of Trust.

**"Preferred Trust Unitholder"** means a person whose name appears on the register of the Trust as a holder of Preferred Units of the Trust.

**"Preferred Units of the LP"** means, collectively, the Preferred LP Units, the Preferred A1 LP Units, the Preferred B LP Units, the Preferred B1 LP Units, the Preferred B1 LP Units, Series A, the Preferred B1 LP Units, Series F, the Preferred C LP Units, the Preferred C1 LP Units, the Preferred C1 LP Units, Series A, the Preferred C1 LP Units, Series F, the Preferred D LP Units, the Preferred D1 LP Units, the Preferred E LP Units and the Preferred E1 LP Units (including, for greater certainty, any series of the foregoing) and any other classes or series of LP Units created by the General Partner and designated as a "Preferred Units of the LP", and each of them, a **"Preferred Unit of the LP"**.

**"Preferred Units of the Trust"** means, collectively, the Preferred Trust Units, the Preferred B Trust Units, the Preferred B Trust Units, Series A, the Preferred B Trust Units, Series F, the Preferred C Trust Units, the Preferred C Trust Units, Series A, the Preferred C Trust Units, Series F, the Preferred D Trust Units and the Preferred E Trust Units (including, for greater certainty, any series of the foregoing) and any other class or series of Units created by the Trustees and designated as "Preferred Units of the Trust", and each of them, a **"Preferred Unit of the Trust"**.

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

**"QIFM"** means Qwest Investment Fund Management Ltd.



**"Redemption Notes"** means, with respect to a redemption of Preferred Units of the Trust or Preferred Units of the LP, as applicable, promissory notes issued in series, or otherwise, by the Trust or the Partnership, as applicable, which may be issued pursuant to a note indenture or otherwise, and issued to redeeming Preferred Trust Unitholders or Preferred LP Unitholders, as applicable, in principal amounts equal to all or a portion of the redemption price of each of the Preferred Units of the Trust or Preferred Units of the LP, as applicable, to be redeemed and having the following terms and conditions:

- (a) unsecured and bearing interest from and including the issue date of each such note at a market rate determined by the Trustees or the Administrator for the Trust, and the General Partner for the Partnership, as applicable, at the time of issuance, based on the advice of an independent financial advisor, with such interest payable only at the maturity date of the note (with interest after as well as before maturity, default and judgment at such rate);
- (b) subordinated and postponed to (1) all Senior Indebtedness (and which for greater certainty may be subject to specific subordination and postponement agreements to be entered into with holders of such Senior Indebtedness) and (2) all payments and other obligations owed by the Trust in respect of the Preferred Units of the Trust, or the Partnership in respect of the Preferred Units of the LP, as applicable, including distribution entitlements and amounts payable on liquidation, dissolution or winding up of the Trust or the Partnership, as applicable;
- (c) except as otherwise set forth herein, due and payable prior to the later of: (i) March 31, 2025; and (ii) the first anniversary of the date of issuance, subject to earlier prepayment without premium or penalty; and
- (d) subject to such other customary terms and conditions as would be included in a note indenture for short-term promissory notes of this kind, as may be approved by the Trustees or the General Partner, as applicable.

**"Redemption Penalty"** has the meaning ascribed thereto in Item 2.7.2 - *LP Agreement - Attributes of the LP Units - Redemption Rights*.

**"Reimbursement Agreement"** means the amended and restated reimbursement agreement, effective May 2, 2014, between the Trust, the Partnership, the Administrator and Investco, as amended, supplemented or amended and restated from time to time. See Item 2.7.4 - *Reimbursement Agreement*. Investco has entered into a similar agreement with the NR Partnership effective August 13, 2019.

**"Return of Capital"** has the meaning ascribed thereto in Item 5.1 - *Terms of Securities - Distributions*.

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

**"Service Provider"** means Equicapita Services LP, a limited partnership formed under the laws of the Province of Alberta.

**"Services Agreement"** means the amended and restated services agreement among the Partnership, the NR Partnership, the Trust, the Administrator, the General Partner, Investco and the Service Provider dated August 13, 2019, whereby the Service Provider provides certain personnel and other services to the Partnership, the NR Partnership, the Trust, the Administrator, the General Partner and Investco in consideration for the Management Fee. See Item 2.7.5 - *Services Agreement*.

**"Shaw Group"** means, as the context so requires, collectively, Medi-Scope Professional Products (1987) Limited, Shaw Laboratories Limited, Shaw London Inc., Shaw Kingston Ltd., K&R Dental Laboratories Ltd., Shaw Brampton Ltd. and Shaw Laboratories (Pennsylvania) Inc. (the **"Shaw Sellers"**) or collectively, Shaw Dental Laboratory Inc. (formerly 11123696 Canada Inc.) and Shaw Dental Laboratories Corp., the subsidiaries of Investco used to acquire the assets of the Shaw Sellers.

**"SME"** means small- or medium-sized enterprise.

**"Smitty's"** means, as the context so requires, Smitty's Canada Limited or Smitty's Canada Inc. (formerly 2101973 Alberta Ltd.), the subsidiary of Investco used to acquire the assets of Smitty's Canada Limited.

**"Special Limited Partner"** means 2181376 Alberta Ltd., a corporation formed under the laws of the Province of Alberta, the special limited partner of the Partnership.

**"Special Resolution"** means:

- (a) a resolution passed by more than 66⅔% of the votes cast by those Unitholders who were entitled to vote and did vote on such resolution, whether cast in person or by proxy, at a meeting of Unitholders, at which a quorum was present, called (at least in part) for the purpose of approving such resolution; or
- (b) a resolution approved in writing, in one or more counterparts, by Unitholders carrying more than 66⅔% of the votes represented by those Units entitled to be voted on such resolution.

**"Specified Rate"** means:

- (a) in respect of the Preferred LP Units and Preferred A1 LP Units, 10%;
- (b) in respect of the Preferred B LP Units, Preferred B1 LP Units, Preferred B1 LP Units, Series A and Preferred B1 LP Units, Series F, 9%;
- (c) in respect of the Preferred C LP Units, Preferred C1 LP Units, Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F, 8%;
- (d) in respect of the Preferred D LP Units and Preferred D1 LP Units, 7%; and
- (e) in respect of the Preferred E LP Units and Preferred E1 LP Units, 6%.

**"Subscriber"** means a subscriber for Offered Units under this Offering Memorandum.

**"Trust"** means Equicapita Income Trust, formed and governed pursuant to the Declaration of Trust.

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

**"Trustee"** means at any time, a person who is, in accordance with the provisions of the Declaration of Trust, a trustee of the Trust at that time, and **"Trustees"** means all of them collectively, who are currently Stephen Johnston, Michael Cook and Matthew Barr.

**"Unitholder"** means a person whose name appears on the register of the Trust as a holder of one or more Units, and such holders are collectively called **"Unitholders"**.

**"Units"** means the Common Trust Units and/or Preferred Units of the Trust, as the case may be, and references in this Offering Memorandum to Units shall mean a reference to Common Trust Units and/or Preferred Units of the Trust, as the context so requires and **"Unit"** means a Common Trust Unit or a Preferred Unit of the Trust, as the case may be.

**"Visage"** means Visage Cosmetics Limited.

**"Wingenback"** means, as the context so requires, Wingenback Inc. or Wingenback Ltd. (formerly 2193147 Alberta Ltd.), the subsidiary of Investco used to acquire the assets of Wingenback Inc.

In this Offering Memorandum, references to "dollars" and \$ are to the currency of Canada, unless otherwise indicated.

## SUMMARY OF THIS OFFERING MEMORANDUM

The following is a summary of the principal features of this Offering Memorandum and should be read together with the more detailed information contained elsewhere in this Offering Memorandum.

**Investment Objective:** Equicapita is in the business (the "**Business**") of investing in a diversified portfolio of privately held operating businesses that have, among other things, demonstrated an ability to generate sustainable cash flow.

Equicapita invests for the purpose of exercising, or seeking to exercise, control of businesses or assets or will, through the General Partner, and participates actively in the management of the businesses or assets in which it invests. Equicapita primarily makes equity investments however, on a selective basis, Equicapita utilizes vendor financing. See Item 2 - *Business Of Equicapita*. Future businesses to be acquired by Equicapita have not yet been identified. See Item 8 - *Risk Factors - Investment Risk - Definitive Agreements to Acquire Businesses and/or Investments Have Not Been Entered Into*.

**Investment Criteria:** Equicapita is not focused on one specific industry and is rather focussed on continuing to build a diversified portfolio of privately held operating businesses. Equicapita believes that there will be significant opportunities to make accretive acquisitions based on its investment criteria that will generally include the following:

- businesses with a durable competitive advantage and a track record of generating sustainable cash flow;
- EBITDA of greater than \$1 million per year;
- stable operating margins;
- modest capital requirements;
- consistent sales;
- strong customer and supplier relationships; and
- ability to buy up to 100% of equity.

**Portfolio Companies:** As of the date hereof, Equicapita holds interests in 12 Portfolio Companies.



Levy's is a custom design and specialty manufacturing company that services customers in the energy, electronics, medical, agriculture, aviation and instrumentation sectors. One operating location, 26 employees.



Metercor is a utility meter solutions provider focusing on water and natural gas. Two operating locations, 17 employees.



A&R is a manufacturer of high-quality metal parts and manufactures accessories and specialty parts with trucking, automotive, commercial and agricultural applications. One operating location, 71 employees.



Metro is a provider of materials testing, materials engineering, geotechnical engineering, concrete restoration, environmental engineering and total quality management. 16 operating locations, 247 employees.



Nutter's is a retailer, franchisor and packager of vitamins, minerals and natural, gluten free and bulk foods located throughout western Canada. 24 locations, 300 employees.



Smitty's is a national family restaurant chain operating from coast to coast. 83 operating locations, 2400 employees.





ESP is a wholesale distributor of hair and beauty products to professional stylists and stylists. Eight operating locations, 71 employees.



I-XL is an importer and distributor of brick, stone and building products in Canada. Seven operating locations, 54 employees.



Shaw Group is a network of dental laboratories in Ontario. Six operating locations, 158 employees.



Master Mechanic is franchisor of aftermarket automotive maintenance and repair service centers in Ontario. 39 operating locations, 192 employees.



Wingenback is an industrial and commercial logistics business. Wingenback provides businesses and organizations across Canada with solutions in ATM-related products, high-end industrial moving and project management services. Five operating locations, 105 employees.



Visage is a franchisor of retail beauty and cosmetics services and products in Ontario. 30 operating locations, 270 employees.

See Item 2.2.3 - *Portfolio Companies*.

#### Acquisitions and Divestitures:

On May 7, 2014, Investco indirectly acquired all of the outstanding shares of Levy's for consideration comprised of cash and Preferred Trust Units.

On May 26, 2014, Investco indirectly acquired all of the outstanding shares of Metercor for consideration comprised of cash and Preferred Trust Units.

On December 31, 2014, Investco indirectly acquired all of the shares of A&R for consideration comprised of cash and Preferred Trust Units.

On March 21, 2016, Investco indirectly acquired a 70% equity interest in Metro for consideration comprised of cash and Preferred B Trust Units.

On November 21, 2016, Investco indirectly acquired an 80% equity interest in Nutter's for consideration comprised of cash and Preferred C Trust Units.

On April 9, 2018, Investco indirectly acquired substantially all of the assets of Smitty's for cash.

On July 1, 2018, Investco indirectly acquired substantially all of the assets of ESP for consideration comprised of cash and Preferred D Trust Units.

On December 14, 2018, Investco indirectly acquired substantially all of the assets of I-XL for cash.

On December 20, 2018, Investco indirectly acquired substantially all of the assets of the Shaw Group for cash. Following the completion of the acquisition, to promote an alignment of interest, the current President and Chief Executive Officer of Shaw Group purchased a 6.54% equity interest in Shaw Group.

On April 5, 2019, Investco indirectly acquired all of the outstanding shares of Master Mechanic for cash. Following the completion of the acquisition, to promote an alignment of interest, the current President of Master Mechanic purchased a 10% equity interest in Master Mechanic.

On August 1, 2019, Investco indirectly acquired a 70% equity interest in Wingenback for cash.

On December 31, 2019, Investco indirectly acquired all of the outstanding shares of Visage for cash. Also on December 31, 2019, Investco sold its interest in NWC, a supplier of truck cranes, boom trucks/picker trucks and related services based in Leduc, Alberta. the proceeds of which were used to acquire Visage.

## COVID-19

As a result of COVID-19 and with multiple jurisdictions having declared state of emergencies in response, certain Portfolio Companies were required to suspend operations while other Portfolio Companies remained operational (some in a reduced or modified capacity) as they are or were considered "essential". As of the date hereof, all Portfolio Companies other than Visage are operational (some in a reduced or modified capacity) other than select locations. All of the Ontario locations of Visage are closed due to the lockdown imposed by the Ontario Government on April 3, 2021 and are expected to re-open once the lockdown is lifted. However, there is no guarantee that certain Portfolio Companies will not have to further suspend, reduce or modify operations should there be: (a) an increase in new cases of COVID-19 in the area in which the Portfolio Company is located; (b) an outbreak of COVID-19 at the Portfolio Company; (c) further orders and/or recommendations from governments regarding restrictions on operations; and/or (d) any other circumstance in which Management determines that such a closure is necessary for the health and safety of employees, patients or the community. Further, certain of the Portfolio Companies' customers have themselves reduced or modified operations and accordingly, the applicable Portfolio Companies have responded to such business development by reducing their level of operations and output to reflect the current demand. Certain Portfolio Companies may also be subject to other disruptions to their business and operational plans, including disruptions resulting from temporary operational measures (such as physical distancing) that governments impose on businesses to ensure the safety of employees and others, a shortage of employees and the interruption of supplies from third parties upon which the Portfolio Companies rely.

Due to the foregoing, Equicapita suspended its quarterly distributions in March 2020 and has sought to reduce costs wherever possible. Equicapita will continue to evaluate when distributions can be restored with regard to various factors including restrictions under the Credit Facilities, the financial position of Equicapita and the business operations of the Portfolio Companies. There is no guarantee as to the timing of the restoration of such distributions, if at all, and if restored, the amount of such distributions.

While the effects of COVID-19 are not expected to be long term, the duration and scope of the various disruptions to businesses and the related financial impact is uncertain and cannot be reasonably estimated at this time. The impact of COVID-19 variants, the efficacy of COVID-19 vaccines and the timeline for the mass distribution of such vaccines remains uncertain, and as such, there remains a possibility that the pandemic may have additional material adverse effects on Equicapita and the Portfolio Companies.

Consequently, Equicapita's and the Portfolio Companies' business, operations, financial condition and cash flows could be materially and adversely affected by COVID-19, which in turn, could adversely affect the Trust's ability to pay distributions to Unitholders. In the event that COVID-19 and its associated impacts persist for an extended period of time, Equicapita's ability to realize its investment objectives and strategies and the Portfolio Companies' abilities to operate and generate returns could be severely (and in some cases, permanently) impaired.

The Administrator is monitoring the COVID-19 situation closely and may provide additional information relating specifically to the impact of COVID-19 on Equicapita in OM marketing materials and/or other supplementary documents from time to time. Prospective investors should ensure that they have received a copy of, and reviewed, such OM marketing material(s) and other supplementary document(s), if any, prior to subscribing for and purchasing the Offered Units pursuant to the Offering.

See Item 2.2.5 - COVID-19.

For risk factors relating to COVID-19, see Item 8 - *Risk Factors - Risks Pertaining to the Business - Disease Outbreaks May Negatively Impact the Performance of Equicapita and the Portfolio Companies*.

## Proposed Closing Date(s):

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

## Income Tax Consequences:

The Trust has been advised that, provided that the Trust qualifies as a "mutual fund trust" for purposes of the Income Tax Act at all relevant times, the Offered Units will generally be qualified investments for Exempt Plans. Potential investors should consult their own tax advisors in respect to an investment in Offered Units. See Item 6 - *Certain Income Tax Consequences And Exempt Plan Eligibility*. The Offered Units are subject to redemption rights. See Item 2.7.1 - *Declaration of Trust*.

**Qwest Investment Fund Management Ltd.**

The Trust is not a "mutual fund" or "investment fund" under applicable securities laws. However, QIFM has been retained to provide certain oversight and back-office services to the Trust. QIFM has its principal office located at Four Bentall Centre, 1055 Dunsmuir Street, Suite 732, Box 49256, Vancouver, British Columbia V7X 1L2. QIFM provides a range of investment fund management, portfolio management and exempt market dealing services for its various investment funds. QIFM is a company incorporated under the provisions of the *Canada Business Corporations Act* on September 27, 2005. QIFM is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer in Alberta, British Columbia, Nova Scotia, Ontario, Québec, Manitoba and Saskatchewan. QIFM is also registered as an Investment Fund Manager in Newfoundland and Labrador. See Item 2.1.9 - *Qwest Investment Fund Management Ltd.*

**Selling Agents and Compensation Paid to Sellers and Finders:**

The Trust will retain several non-exclusive securities dealers to effect sales of Offered Units. Where allowed by applicable securities legislation, dealers who distribute Offered Units may be paid a sales commission as set forth below:

- **Preferred C Trust Units, Series A:** Any sales commissions on Preferred C Trust Units, Series A are paid by the Subscriber to the dealer and are in addition to, and do not form part of, the purchase price of the Preferred C Trust Units, Series A. Sales commissions may be negotiated between the dealer and the Subscriber.
- **Preferred C Trust Units, Series F:** No sales commission.

See Item 7 - *Selling Agents And Compensation Paid To Sellers And Finders.*

**Conflicts of Interest:**

The interests of certain members of the Trustees or Administrator may from time to time be in conflict with the activities of the Trust. Such conflicts are expressly permitted by the terms of the Declaration of Trust. See Item 8 - *Risk Factors - Entity Risk - Potential Conflicts of Interest.*

**The Units:**

The Offering consists of Offered Units, which are comprised of:

- **Preferred C Trust Units, Series A:** This series of units is offered to purchasers who are not eligible to purchase Preferred C Trust Units, Series F; and
- **Preferred C Trust Units, Series F:** This series of units is offered to purchasers who purchase such units through a dealer sponsored fee for service or wrap program and who pay an asset-based fee to their dealer.

See Item 5.1 - *Terms of Securities.*

**Distributions:**

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

Each Preferred Unit of the Trust issued and outstanding on the Distribution Record Date for a particular Distribution Period shall be entitled, without preference or priority, to an equal share of the amount of the Distribution Amount in respect of such class or series of Preferred Units of the Trust which is declared payable to holders of such class or series of Preferred Units of the Trust pursuant to the Declaration of Trust for such particular Distribution Period, which share shall be determined by dividing the amount of such Distribution Amount in respect of such class or series of Preferred Units of the Trust declared payable to the holders of such class or series of Preferred Units of the Trust by the number of issued and outstanding Preferred Units of the Trust of such class or series on the Distribution Record Date (the "**Distribution Per Preferred Unit of the Trust**"). The share of such Distribution Amount in respect of a class or series of Preferred Units of the Trust distributable to a particular holder of Preferred Units of the Trust shall be an amount equal to the Distribution Per Preferred Unit of the Trust multiplied by the number of Preferred Units of the Trust owned of record by such holder of Preferred Units of the Trust on such Distribution Record Date.

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

Notwithstanding the above, when determining the Distribution Per Preferred Unit of the Trust, the Trustees may make any variation or adjustment so as to ensure where possible that Preferred Trust Unitholders are treated equitably and fairly taking into account such considerations as the Trustees, in their discretion, acting reasonably and in good faith, deem appropriate in the circumstances and determine to be equitable and fair (including for greater certainty, the distributions from the Partnership). See Item 2.7.1 - *Declaration of Trust - Distributions* and Item 5.1 - *Terms of Securities - Distributions*.

The gross proceeds from this Offering from the issuance of Preferred C Trust Units, Series A and Preferred C Trust Units, Series F will be used by the Trust to invest in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F, respectively.

Preferred LP Unitholders shall be entitled to receive distributions if, as and when declared by the General Partner. The General Partner, in respect of any LP Distribution Period, may in its discretion declare payable to Preferred LP Unitholders of record as at the close of business on the LP Distribution Record Date for such LP Distribution Period, all or any part of the LP Distributable Cash for such LP Distribution Period (such aggregate amount so declared being herein referred to as the "**LP Distribution Amount**").

If the LP Distribution Amount being declared arises from interest paid to the Partnership from Investco, then the General Partner will, to the extent possible based on the amount of such LP Distribution Amount, pay to the holder of each Preferred Unit of the LP an amount equal to the outstanding and accrued Preferred Return (being 8% on an amount equal to \$1.00 less the Return of Capital with respect to such unit in respect of the Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F). If the LP Distribution Amount is not sufficient to pay all outstanding and accrued Preferred Returns on all Preferred Units of the LP, then each Preferred Unit of the LP shall receive an amount equal to such Preferred Unit of the LP's *pro rata* portion of the LP Distribution Amount based on the outstanding and accrued Preferred Return owed to such Preferred Unit of the LP relative to the aggregate outstanding and accrued Preferred Returns owed to all Preferred Units of the LP.

If the LP Distribution Amount being declared arises from the sale of assets of the Partnership or Investco, or is otherwise in respect of the liquidation, dissolution or winding up of the Partnership, then the LP Distribution Amount will be distributed in the following amounts and order of priority:

- (i) first, 100% of the Preferred LP Unitholders on a *pro rata* basis until the Preferred LP Unitholders have received aggregate distributions in an amount equal to \$1.00 with respect to each Preferred Unit of the LP (excluding, for greater certainty, any Preferred Return distributions received by such holder with respect to such Preferred Unit of the LP but including, for greater certainty, any other previous distributions received by the holder with respect to such Preferred Unit of the LP pursuant to this paragraph) (the distributions pursuant to this section are referred to as the "**Return of Capital**");
- (ii) second, 100% to the Preferred LP Unitholders until the holder of each Preferred Unit of the LP has received an amount equal to the outstanding and accrued Preferred Return with respect to such Preferred Unit of the LP (including for greater certainty, any other previous Preferred Return distributions received by the holder with respect to such Preferred Unit of the LP). If the LP Distribution Amount is not sufficient to pay all outstanding and accrued Preferred Returns on all Preferred Units of the LP, then each Preferred Unit of the LP shall receive an amount equal to such Preferred Unit of the LP's *pro rata* portion of the LP Distribution Amount based on the outstanding and accrued Preferred Return owed to such Preferred Unit of the LP relative to the aggregate outstanding and accrued Preferred Returns owed to all Preferred Units of the LP; and
- (iii) thereafter, 20% to the Special Limited Partner and 80% to the Preferred LP Unitholders, with amounts distributed to the Special Limited Partner pursuant to this paragraph being the "**Carried Interest**".

See Item 2.7.2 - *LP Agreement - Distributions* and Item 5.1 - *Terms of Securities - Distributions*.

**Distribution  
Reinvestment Plan:**

The Trust has adopted a distribution reinvestment plan (the "**DRIP**") that will allow eligible holders of Preferred Units of the Trust to elect to have their quarterly cash distributions reinvested in additional Preferred Units of the Trust of the same class or series on the distribution payment date at a purchase price per Preferred Unit of the Trust to be determined by the Administrator with reference to the net asset value of the Partnership.

**Redemption and  
Retraction Rights:**

**Redemption Right of the Preferred Trust Unitholder**

A Preferred Trust Unitholder is entitled to require the Trust to redeem, at any time at the demand of the holder, all or any part of the Preferred Units of the Trust registered in the name of the Preferred Trust Unitholder. For a Unitholder to redeem its Units, a duly completed and properly executed notice requiring the Trust to redeem such Units, in a form approved by the Trustees, shall be sent to the Trust, together with any Unit certificate, if any, representing the Units to be redeemed. The redemption price per Preferred Unit of the Trust to be received on redemption by the holder is equal to the redemption price of the Corresponding LP Unit, which is equal to the lesser of: (i) the Market Value of such Corresponding LP Unit as at the date upon which such Corresponding LP Unit was tendered for redemption; and (ii) \$1.00 minus any amount distributed in respect of such Corresponding LP Unit in respect of Return of Capital; in each case, multiplied by 90%.

The payment of the redemption price shall be paid by cash, provided that the Trust shall only be obligated to pay up to \$10,000 in cash in respect of redemptions in any calendar month, unless the Trustees determines a greater cash amount. Such cash amount shall be paid *pro rata* to redeeming Preferred Trust Unitholders. The balance of the redemption price for Preferred Units of the Trust will be paid through the issuance of Redemption Notes and/or distribution, *in specie*, of Trust Property. There will be no market for Redemption Notes. **Redemption Notes are not qualified investments for Exempt Plans.** See Item 6 - *Certain Income Tax Consequences And Exempt Plan Eligibility*.

**Redemption Right of the Trust**

The Trustees, at any time and from time to time, have the right to redeem the whole or any part of the then outstanding Preferred Units of the Trust from any one or more of the holders thereof as the Trustees may in their sole discretion determine. The redemption price per Preferred Unit of the Trust to be received on redemption by the Trust is equal to the redemption price of the Corresponding LP Unit, which is equal to the Market Value of such Corresponding LP Unit as at the date that the notice of redemption was provided.

The payment of the redemption price shall be paid by any combination of cash, the issuance of Redemption Notes and/or distribution, *in specie*, of Trust Property, provided that any cash amount shall be paid *pro rata* to redeeming Preferred Trust Unitholders.

Reference should be made to the Declaration of Trust for a complete description of all the terms of the Offered Units. See Item 2.7.1 - *Declaration of Trust - Redemption Rights* and Item 5.1 - *Terms of Securities - Redemption and Retraction Rights*.

**Management Fee:**

In consideration for providing the services pursuant to the Services Agreement, the Service Provider is entitled to receive the Management Fee from the Partnership. The Management Fee is a monthly fee of 1.3% per year of the gross purchase price paid by investors for units of the Partnership (including the Trust), as at the last date of the preceding month, calculated and payable in advance at the beginning of each month. The Service Provider may share some or all of the fees it receives pursuant to the Services Agreement with any other persons in its sole discretion. See Item 2.7.5 - *Services Agreement - Fees and Expenses*. Parallel investment entities (including the NR Partnership) may also pay a management fee, which may be different than the Management Fee.

As a result of COVID-19, Investco agreed with the lenders to the Credit Facilities to reduce the Management Fee by 15% effective for the period between April 1, 2020 and December 31, 2020. Although such agreement between Investco and the lenders expired, the Service Provider voluntarily maintained such reduction until March 31, 2021.

**Term of the Trust and the  
Partnership:**

Subject to earlier termination, the Trust shall continue for a term ending 21 years after the date of the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on April 23, 2013. The Trust shall commence its wind-up and termination upon the first of the following to occur: (a) a proposal to the Common Trust Unitholders, by the Administrator, to wind-up and terminate the Trust, which proposal is approved by way of a Special Resolution; or (b) the date upon which each of the material businesses in which Equicapita holds an interest, or has otherwise invested, have been liquidated. See Item 2.7.1 - *Declaration of Trust - Term of the Trust and Distribution on Wind-Up*.

The dissolution of the Trust is expected to occur subsequent to the dissolution of the Partnership. Pursuant to the LP Agreement, the General Partner shall use reasonable commercial efforts to seek a commercially appropriate liquidity event as soon as reasonably practicable subsequent to March 31, 2024. In addition, the Partnership shall not, directly or indirectly, acquire any new operating businesses subsequent to March 31, 2024.

<b>Trustees:</b>	The Trustees are Stephen Johnston, Michael Cook and Matthew Barr. The Trustees are responsible for the management and control of the business and affairs of the Trust on a day to day basis in accordance with the terms of the Declaration of Trust. However, the Trustees, on behalf of the Trust, have retained the Administrator to carry out the duties of the Trustees under the Declaration of Trust and have delegated to the Administrator the power and authority to manage and direct the day to day business, operations and affairs of the Trust. See Item 2.7.1 - <i>Declaration of Trust - The Administrator</i> .
<b>Concurrent and Subsequent Offerings:</b>	<p>Concurrent with or subsequent to this Offering of Offered Units, the Trust, the Partnership and any additional parallel investment entities (including the NR Partnership) may also offer additional securities (including Preferred Units of the Trust and/or Preferred Units of the LP), which may not have the same terms as the Offered Units.</p> <p>The Trust, the Partnership and any additional parallel investment entities (including the NR Partnership) may, from time to time, negotiate with additional investors (such as institutional investors) the terms of purchase of a new class or series of Preferred Units of the Trust and/or Preferred Units of the LP, including the Management Fee, Preferred Return and the distributions to the Special Limited Partner.</p>
<b>Risk Factors:</b>	<p><b>It is strongly recommended that each Subscriber, in order to assess tax, legal and other aspects of an investment in Offered Units, obtain independent advice with respect to the Offering and this Offering Memorandum. An investment in the Offered Units is subject to significant risk from, among other things, changing economic and market conditions. Following is a list of some of the most significant risk factors:</b></p> <p><b>This is a speculative offering.</b> An investment in the Offered Units is appropriate only for Subscribers who have the capacity to absorb a total loss of their investment. Subscribers who are not willing to rely on the sole and exclusive discretion and judgment of the Trustees and Administrator should not subscribe for Offered Units.</p> <p><b>There is no market for Offered Units and the transfer of Offered Units is significantly limited and in some circumstances prohibited.</b> An investment in the Offered Units should only be considered by those Subscribers who are able to make and bear the economic risk of a long term investment and the possible total loss of their investment.</p> <p><b>An investment in Offered Units should only be made after consultation with independent qualified sources of investment and tax advice.</b> An investment in the Trust is speculative and involves a high degree of risk and is not intended as a complete investment program.</p> <p><b>There is a risk that an investment in the Trust will be lost entirely. Only investors who do not require immediate liquidity of their investment and who can afford the loss of their entire investment should consider the purchase of Offered Units. See Item 8 - Risk Factors.</b></p>



## ITEM 1 - USE OF AVAILABLE FUNDS

### 1.1 Funds

The net proceeds of the Offering and the total funds that are anticipated to be available to the Trust immediately following the Closing are as follows:

		Assuming \$30,000,000 Offering <sup>(1)</sup>
A	Amount to be raised by this Offering	\$30,000,000
B	Selling commissions and fees <sup>(2)</sup>	\$0
C	Estimated Offering costs (including legal, accounting and audit) <sup>(3)(4)</sup>	(\$40,000)
D	Available Funds: $D = A - (B+C)$ <sup>(4)(5)</sup>	\$29,960,000
E	Additional Sources of Funding Required	\$0
F	Working Capital Deficiency	\$0
G	Total: $G = (D+E) - F$ <sup>(4)(5)</sup>	\$29,960,000

#### Notes:

- (1) There is no minimum or maximum amount of funds to be raised pursuant to the Offering.
- (2) Sales commissions may be negotiated between the dealer and the Subscriber of Preferred C Trust Units, Series A. Any sales commissions are paid by the Subscribers to the dealers and are in addition to and do not form part of, the purchase price of the Preferred C Trust Units, Series A. See Item 7 - *Selling Agents And Compensation Paid To Sellers And Finders*.
- (3) The Trust may, from time to time, enter into agreements with third parties to provide marketing, administration and related services in connection with the Offering on such terms and conditions as may be deemed advisable by the Trustees or the Administrator. The above table does not assume any fees payable in connection with such arrangements.
- (4) Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust in connection with the Offering for funds invested in Preferred Units of the LP, and indirectly, in Investco. See Item 2.7.4 - *Reimbursement Agreement*.
- (5) The Trust intends to invest the gross proceeds of \$30,000,000 it receives from the issuance of Preferred C Trust Units, Series A and Preferred C Trust Units, Series F in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F, respectively. The Partnership intends to invest the gross proceeds of \$30,000,000 it receives from the investment by the Trust in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F in Investco. The net proceeds that will be available for investment in the Business following the Offering, after payment of the selling commissions, administration fees and offering costs by Investco, will be \$29,960,000 based on the assumptions above.

### 1.2 Use of Available Funds

#### 1.2.1 Use of Available Funds by the Trust/Partnership

Description of intended use of available funds listed in order of priority	Assuming \$30,000,000 Offering <sup>(1)</sup>
The gross proceeds from this Offering from the issuance of Preferred C Trust Units, Series A and Preferred C Trust Units, Series F will be used by the Trust to invest in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F, respectively.  The Partnership will invest the gross proceeds it receives from the investment by the Trust in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F in Investco.	\$30,000,000

#### Note:

- (1) There is no minimum or maximum amount of funds to be raised pursuant to the Offering.

#### 1.2.2 Use of Available Funds by Investco

Description of intended use of available funds listed in order of priority	Assuming \$30,000,000 Offering <sup>(1)</sup>
Reimbursement of offering costs incurred by the Trust	\$40,000 <sup>(2)</sup>
Investco will invest the net proceeds received from the Partnership and/or parallel investment entities in the Business. <sup>(3)</sup> See Item 2.2 - <i>The Business</i> .	\$29,960,000

**Notes:**

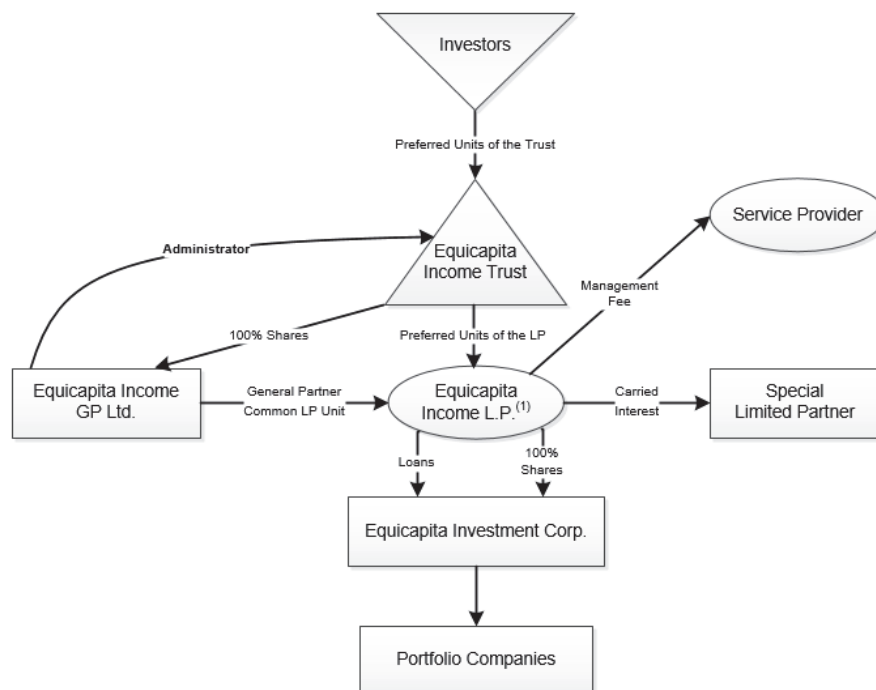
- (1) There is no minimum or maximum amount of funds to be raised pursuant to the Offering.
- (2) Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust in connection with the Offering for funds invested in Preferred Units of the LP, and indirectly, in Investco. See Item 2.7.4 - *Reimbursement Agreement*.
- (3) While Investco intends to use the net proceeds received from the Partnership to invest in the Business, Investco may use such proceeds to repay a portion of the outstanding amount drawn under the Credit Facilities or other indebtedness. Under the Credit Facilities, Investco must maintain certain financial ratios and comply with other covenants, which may impact the ability of Investco to reborrow any amounts that are used to repay amounts drawn under the Credit Facilities. The amount of any such repayment is not known at this time. The final principal payment due under the Credit Facilities is due on April 20, 2022. See Item 4.2 - *Indebtedness*.

**1.3 Reallocation**

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

**ITEM 2 - BUSINESS OF EQUICAPITA AND OTHER INFORMATION AND TRANSACTIONS****2.1 Structure**

The following diagram sets out the relationship between Equicapita entities.

**Notes:**

- (1) From time to time, Equicapita may establish additional parallel investment entities (including the NR Partnership) to facilitate investments by investors with special legal, regulatory, tax or other requirements. Such parallel investment entities, if and when established, will invest in Investco alongside the Partnership on the same or substantially similar terms.
- (2) As of the date hereof, Equicapita holds interests in 12 Portfolio Companies, being a 100% equity interest in Levy's, Metercor, A&R, Smitty's, ESP, I-XL and Visage, a 70% equity interest in Metro, an 80% equity interest in Nutter's, a 93.46% equity interest in Shaw Group, a 90% equity interest in Master Mechanic, a 70% equity interest in Wingenback and a 100% equity interest in Visage.

**2.1.1 The Trust**

The Trust is an unincorporated open ended trust, governed by the laws of the Province of Alberta and the federal laws of Canada applicable thereto. The Trust was created on April 23, 2013, pursuant to the Declaration of Trust. Although it is intended that the Trust qualify as a "mutual fund trust" pursuant to the Income Tax Act, the Trust will not be a "mutual fund" under applicable securities laws. The head office of the Trust is located at #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5.

**2.1.2 The Trustees**

Stephen Johnston, Michael Cook and Matthew Barr are the Trustees of the Trust. The Trustees are responsible for the management and control of the business and affairs of the Trust on a day to day basis in accordance with the terms of the Declaration of Trust. However, the Trustees, on behalf of the Trust, have retained the Administrator to carry out the duties of the Trustees under the Declaration of Trust and have delegated to the Administrator the power and authority to manage and direct the day to day business, operations and affairs of the Trust.



### **2.1.3 The Administrator**

The Administrator, Equicapita Income GP Ltd., was incorporated on April 22, 2013, pursuant to the ABCA and manages, along with the Trustees, the affairs of the Trust.

The Administrator will provide and perform certain administrative, management and governance services as may be required or advisable from time to time in order to administer, manage and govern the operations of the Trust pursuant to the terms of the Declaration of Trust and the Administration Agreement. The Trustees are not at arm's length to the Administrator. The directors and officers of the Administrator are Stephen Johnston, Michael Cook and Matthew Barr, who are also the Trustees. The Administrator is also the General Partner.

The head office of the Administrator is located at #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5.

### **2.1.4 The Partnership/Parallel Investment Entities**

The Partnership was formed in the Province of Alberta on April 23, 2013 pursuant to the Partnership Act, by the filing of the certificate of limited partnership in accordance with the Partnership Act. The head office of the Partnership is located at #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5.

From time to time, Equicapita may establish additional parallel investment entities (including the NR Partnership) to facilitate investments by investors with special legal, regulatory, tax or other requirements. Such parallel investment entities, if and when established, will invest in Investco alongside the Partnership on the same or substantially similar terms.

**The Trust intends to use all or substantially all of the available funds from this Offering to purchase Preferred Units of the LP.** The Trust is a Limited Partner of the Partnership and holds Preferred Units of the LP. The rights and obligations of the Limited Partners are governed by the terms of the LP Agreement. See Item 2.7.2 - *LP Agreement* for a description of certain terms of the LP Agreement.

### **2.1.5 The General Partner**

Equicapita Income GP Ltd., the General Partner, was incorporated on April 22, 2013, pursuant to the ABCA and is the general partner of the Partnership. The General Partner controls and has responsibility for the business of the Partnership, binds the Partnership and admits Limited Partners and does or causes to be done, in a prudent and reasonable manner, any and all acts necessary, appropriate or incidental to the business of the Partnership. The General Partner has exclusive authority to manage and control the activities of the Partnership and is liable by law, as a general partner, for the debts of the Partnership. The directors and officers of the General Partner are Stephen Johnston, Michael Cook and Matthew Barr. The General Partner is also the Administrator.

The head office of the General Partner is located at #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5.

### **2.1.6 Investco**

Equicapita Investment Corp. was incorporated on May 2, 2014, pursuant to the ABCA and is a subsidiary of the Partnership. The Business of Equicapita is conducted through Investco and Investco directly or indirectly holds all of the Portfolio Companies. The Partnership may acquire and hold shares, debt or other securities of Investco from time to time, and Investco may, from time to time, issue securities to additional investors. The ability of the Partnership to make cash distributions on LP Units is principally dependent upon the Partnership receiving payments from Investco pursuant to the securities of Investco acquired by the Partnership. If the Partnership does not receive payment from Investco pursuant to the securities of Investco held by it, the Partnership will likely not have sufficient cash flow to make cash distributions to LP Unitholders, including the Trust. See Item 8 - *Risk Factors*.

### **2.1.7 Service Provider**

Equicapita Services LP was formed in the Province of Alberta on March 22, 2019 pursuant to the Partnership Act, by the filing of the certificate of limited partnership in accordance with the Partnership Act.

The Service Provider acts as service provider to the Trust, the Administrator, the Partnership, the General Partner and Investco pursuant to the Services Agreement, whereby the Service Provider provides certain personnel and other services to the Trust, the Administrator, the Partnership, the General Partner and Investco in consideration for the Management Fee. See Item 2.7.5 - *Services Agreement* for a description of certain terms of the Services Agreement.

The head office of the Service Provider is located at #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5.

### **2.1.8 Special Limited Partner**

2181376 Alberta Ltd. was incorporated on March 22, 2019, pursuant to the ABCA and is the special limited partner of the Partnership. The Special Limited Partner receives the Carried Interest allocated to the Special Limited Partner pursuant to the LP Agreement. See Item 5.1 - *Terms of Securities - Distributions*.

The head office of the Special Limited Partner is located at #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5.

### **2.1.9 Qwest Investment Fund Management Ltd.**

QIFM has been retained to provide certain oversight and back-office services to the Trust. QIFM has its principal office located at Four Bentall Centre, 1055 Dunsmuir Street, Suite 732, Box 49256, Vancouver, British Columbia V7X 1L2. QIFM provides a range of investment fund management, portfolio management and exempt market dealing services for its various investment funds. QIFM is a company incorporated under the provisions of the *Canada Business Corporations Act* on September 27, 2005. QIFM is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer in Alberta, British Columbia, Nova Scotia, Ontario, Québec, Manitoba and Saskatchewan. QIFM is also registered as an Investment Fund Manager in Newfoundland and Labrador.

## **2.2 The Business**

Equicapita is in the business of investing in a diversified portfolio of privately held operating businesses that have, among other things, demonstrated an ability to generate sustainable cash flow.

### **2.2.1 Business Strategy**

Other than the Portfolio Companies, Equicapita has not entered into definitive agreements to acquire businesses and/or make investments. See Item 8 - *Risk Factors - Investment Risk - Definitive Agreements to Acquire Businesses and/or Investments Have Not Been Entered Into*.

Equicapita intends to continue to make acquisitions to build a diversified portfolio of established, private SMEs. Equicapita's investment thesis is that there is a generational opportunity to acquire 'baby boomer' SMEs, there is a funding gap in the \$5 million to \$50 million enterprise value range and that there is limited, albeit increasing, organized capital pursuing these transactions. As a result, Equicapita believes that these factors have created an environment with an abundance of opportunities to acquire SMEs with long-term operating histories at attractive cash flow multiples.

Equicapita invests for the purpose of exercising, or seeking to exercise, control of a business or asset. Equicapita manages its risk through extensive due diligence, transaction structuring and a close oversight of its businesses post acquisition. More specifically, this is achieved, in part, by: (i) providing the management teams of acquired businesses mentoring support and advice to assist them to build on their core competencies with a view to sustaining profitability and, where possible, fostering growth; (ii) assisting management teams of the acquired businesses to identify and seek out opportunities to enter new markets, expand the products or services offered, vertically integrate and/or geographically grow; and (iii) selling assets, if and when appropriate, to maximize value.

Equicapita primarily makes equity investments however, on a selective basis, Equicapita utilizes vendor financing. Equicapita has adopted a long-term, custodial business model with a focus on stable cash flow generation. Equicapita may allow existing management teams to retain an interest in a Portfolio Company or allow new management to acquire an interest in a portfolio company alongside Equicapita.

Management has a breadth of experience gained through many years of involvement in numerous aspects of business, including; fund management, public and private mergers and acquisitions transactions, corporate restructurings, financings, venture capital and private equity investing, and corporate turn-arounds. While businesses acquired by Equicapita will continue to operate autonomously and maintain their individual identities, Management intends to provide to such businesses, as required, advisory support through its experience in strategy development, human resources, accounting, financial and legal expertise, among others.

### **2.2.2 Acquisition, Strategy and Investment Criteria**

Equicapita is not focused on one specific industry and is rather focussed on continuing to build a diversified portfolio of privately held operating businesses. Equicapita believes that there will be numerous opportunities to make accretive acquisitions based on its investment criteria that will generally include the following:

- businesses with a durable competitive advantage and a track record of generating sustainable cash flow;
- EBITDA of greater than \$1 million per year;
- stable operating margins;
- modest capital requirements;
- consistent sales;
- strong customer and supplier relationships; and
- ability to buy up to 100% of equity.

Equicapita also considers global macroeconomic trends when reviewing an acquisition.

The market for acquiring or investing in the types of businesses and assets which fit Equicapita's acquisition criteria is a competitive one. However, Management believes that its ability to be flexible in its transaction structuring, its "partnership approach" to its investee

businesses, and its ability to contribute strategic, business, financial, human resource, accounting and legal expertise to its investee businesses are attributes considered attractive to potential business partners. Management is confident that its ongoing deal sourcing efforts combined with the desire of retiring SME owners to monetize the wealth tied up in their businesses will allow Equicapita to identify a suitable quantity of investment opportunities, which is then expected to lead to successful acquisitions.

### 2.2.3 Portfolio Companies

As of the date hereof, Equicapita holds interests in 12 Portfolio Companies.



Founded in 1980, Levy's is a custom design and specialty manufacturing company that services customers in the energy, electronics, medical, agriculture, aviation and instrumentation sectors. Levy's is headquartered in Calgary, Alberta and operates from an 11,680 square foot facility with approximately 26 employees and 10 state-of-the-art computer numerical control machine tools, four conventional lathes and mills, a gun-drill and support equipment. Computer-aided design and computer-aided manufacturing software is regularly used to produce Levy's complicated products.

Levy's has had strong normalized EBITDA margins historically and, based on information available to Levy's, has been a top quartile performer amongst similar businesses in North America.

Founded in 1997 and headquartered in Calgary, Alberta, Metercor is a utility meter solutions provider focusing on water and natural gas. The company also services the emerging electricity smart metering market. Metercor's clients include municipalities, government bodies, gas co-ops and private utilities.



Metercor has built a strong and loyal customer base by delivering reliable results and specializing in all aspects of meter services. Metercor provides turn-key solutions for automated meter reading devices and handheld, mobile, or fixed network reading equipment to retrofit an existing meter, or install/exchange existing meters for new water meters. The turn-key solution includes supply of all necessary hardware and software, a complete project management strategy for program implementation, a customer care center that arranges necessary bookings with homeowners, public awareness campaigns, project reporting and ongoing maintenance.

Founded in 1969 and headquartered in Richmond, British Columbia, A&R is a manufacturer of high-quality metal parts. Working from a 70,000+ square foot facility, A&R currently supplies a significant portion of the North American "OEM" class 8 truck market with stainless steel muffler shields, mirror brackets, grab handles and many other trim parts. In addition to Class 8 truck trim parts, A&R manufactures accessories and other specialty parts for automotive, commercial and agricultural applications.



A&R is a well-established Canadian business with over 40 years of history operating in a stable industry. A&R has a steady history of strong profitability and cash flows, strong customer and supplier relationships and is led by a highly experienced and capable management team.



Founded in 1987 and headquartered in Burnaby, British Columbia, Metro is a provider of materials testing, materials engineering, geotechnical engineering, concrete restoration, environmental engineering and total quality management. With 247 employees working across 16 locations in British Columbia and Alberta, Metro's core revenue segments are: concrete testing, soils testing, asphalt testing, geotechnical testing, construction testing and environmental consulting.



Founded in 1982 and headquartered in Medicine Hat, Alberta, Nutter's is a retailer, franchisor and packager of vitamins, minerals, and natural, gluten free, and bulk foods. With 24 stores (12 corporate and 12 franchised) located throughout western Canada and 300 employees, Nutter's has developed a successful business model that attracts loyal customers, top quality staff, entrepreneurial franchisees and suppliers of unique natural personal care, health and organic products.



Smitty's is a national family restaurant chain operating from coast to coast. The first Smitty's restaurant was opened in 1960 and there are currently 83 locations across Canada. Smitty's has developed a long-term sustainable business model that attracts loyal customers, entrepreneurial franchisees, and has a strong supplier and franchise support system.



Founded in 1990 and headquartered in Saskatoon, Saskatchewan, with seven additional locations across Canada. ESP is a wholesale distributor of hair and beauty products to professional stylists and salons across five provinces with over 4,000 active customers, best in class suppliers and 71 employees.



Founded in 1983 and headquartered in Surrey, British Columbia, I-XL is an importer and distributor of brick, stone and building products in Canada with roots dating back to 1912. With a focus on premier products from around the world, I-XL offers customers a comprehensive selection of building envelope products.



Founded in 1944 and headquartered in Toronto, Ontario, Shaw Group is a network of dental laboratories in Ontario, with locations in Toronto, London, Ottawa, Kingston and Brampton. Shaw Group's customer base includes over 1,500 dentists and has an established reputation for technical leadership and outstanding customer service.



Founded in 1982 and headquartered in Mississauga, Ontario, Master Mechanic is a franchisor of aftermarket automotive maintenance and repair service centers in Ontario. With 39 locations located throughout Ontario, Master Mechanic has established enduring franchisee relationships and a reputation for outstanding customer service. Their professional mechanics and technicians are experts in the automotive industry and are highly recognized in communities across the province.



Founded in 1975, Wingenback is an industrial and commercial logistics business. Wingenback provides businesses and organizations across Canada with solutions in ATM-related products, high-end industrial moving and project management services. The company serves a broad span of industries with roots in the financial and banking sector. Wingenback has five divisions that service Canada with their head office in Calgary, Alberta.



Founded in 1969, Visage is a franchisor of retail beauty and cosmetics services and products in Ontario. Visage has 30 locations throughout Ontario and one in Alberta.

#### 2.2.4 Acquisitions and Divestitures

On May 7, 2014, Investco indirectly acquired all of the outstanding shares of Levy's for consideration comprised of cash and Preferred Trust Units.

On May 26, 2014, Investco indirectly acquired all of the outstanding shares of Metercor for consideration comprised of cash and Preferred Trust Units.

On December 31, 2014, Investco indirectly acquired all of the shares of A&R for consideration comprised of cash and Preferred Trust Units.

On March 21, 2016, Investco indirectly acquired a 70% equity interest in Metro for consideration comprised of cash and Preferred B Trust Units.

On November 21, 2016, Investco indirectly acquired a 80% equity interest in Nutter's for consideration comprised of cash and Preferred C Trust Units.

On April 9, 2018, Investco indirectly acquired substantially all of the assets of Smitty's for cash.

On July 1, 2018, Investco indirectly acquired substantially all of the assets of ESP for consideration comprised of cash and Preferred D Trust Units.

On December 14, 2018, Investco indirectly acquired substantially all of the assets of I-XL for cash.

On December 20, 2018, Investco indirectly acquired substantially all of the assets of the Shaw Group for cash. Following the completion of the acquisition, to promote an alignment of interest, the current President and Chief Executive Officer of Shaw Group purchased a 6.54% equity interest in Shaw Group.

On April 5, 2019, Investco indirectly acquired all of the outstanding shares of Master Mechanic for cash. Following the completion of the acquisition, to promote an alignment of interest, the current President of Master Mechanic purchased a 10% equity interest in Master Mechanic.

On August 1, 2019, Investco indirectly acquired a 70% equity interest in Wingenback for cash.

On December 31, 2019, Investco indirectly acquired all of the outstanding shares of Visage for cash. Also on December 31, 2019, Investco sold its interest in NWC, a supplier of truck cranes, boom trucks/picker trucks and related services based in Leduc, Alberta. the proceeds of which were used to acquire Visage.

### 2.2.5 COVID-19

As a result of COVID-19 and with multiple jurisdictions having declared state of emergencies in response, certain Portfolio Companies were required to suspend operations while other Portfolio Companies remained operational (some in a reduced or modified capacity) as they are or were considered "essential". As of the date hereof, all Portfolio Companies other than Visage are operational (some in a reduced or modified capacity) other than select locations. All of the Ontario locations of Visage are closed due to the lockdown imposed by the Ontario Government on April 3, 2021 and are expected to re-open once the lockdown is lifted. However, there is no guarantee that certain Portfolio Companies will not have to further suspend, reduce or modify operations should there be: (a) an increase in new cases of COVID-19 in the area in which the Portfolio Company is located; (b) an outbreak of COVID-19 at the Portfolio Company; (c) further orders and/or recommendations from governments regarding restrictions on operations; and/or (d) any other circumstance in which Management determines that such a closure is necessary for the health and safety of employees, patients or the community. Further, certain of the Portfolio Companies' customers have themselves reduced or modified operations and accordingly, the applicable Portfolio Companies have responded to such business development by reducing their level of operations and output to reflect the current demand. Certain Portfolio Companies may also be subject to other disruptions to their business and operational plans, including disruptions resulting from temporary operational measures (such as physical distancing) that governments impose on businesses to ensure the safety of employees and others, a shortage of employees and the interruption of supplies from third parties upon which the Portfolio Companies rely.

Due to the foregoing, Equicapita suspended its quarterly distributions in March 2020 and has sought to reduce costs wherever possible. Equicapita will continue to evaluate when distributions can be restored with regard to various factors including restrictions under the Credit Facilities, the financial position of Equicapita and the business operations of the Portfolio Companies. There is no guarantee as to the timing of the restoration of such distributions, if at all, and if restored, the amount of such distributions.

While the effects of COVID-19 are not expected to be long term, the duration and scope of the various disruptions to businesses and the related financial impact is uncertain and cannot be reasonably estimated at this time. The impact of COVID-19 variants, the efficacy of COVID-19 vaccines and the timeline for the mass distribution of such vaccines remains uncertain, and as such, there remains a possibility that the pandemic may have additional material adverse effects on Equicapita and the Portfolio Companies.

Consequently, Equicapita's and the Portfolio Companies' business, operations, financial condition and cash flows could be materially and adversely affected by COVID-19, which in turn, could adversely affect the Trust's ability to pay distributions to Unitholders. In the event that COVID-19 and its associated impacts persist for an extended period of time, Equicapita's ability to realize its investment objectives and strategies and the Portfolio Companies' abilities to operate and generate returns could be severely (and in some cases, permanently) impaired.

The Administrator is monitoring the COVID-19 situation closely and may provide additional information relating specifically to the impact of COVID-19 on Equicapita in OM marketing materials and/or other supplementary documents from time to time. Prospective investors should ensure that they have received a copy of, and reviewed, such OM marketing material(s) and other supplementary document(s), if any, prior to subscribing for and purchasing the Offered Units pursuant to the Offering.

For risk factors relating to COVID-19, see Item 8 - *Risk Factors - Risks Pertaining to the Business - Disease Outbreaks May Negatively Impact the Performance of Equicapita and the Portfolio Companies*.

### 2.3 Development of the Business

The Trust and the Partnership were formed on April 23, 2013. The Trust was established for the purpose of indirectly investing in the Business through the purchase of Preferred Units of the LP. The Partnership was established for the purpose of investing in a diversified portfolio of privately held operating businesses that have, among other things, demonstrated an ability to generate sustainable cash flow. Since inception, Management has reviewed numerous acquisition opportunities with an estimated transaction value of over \$5 billion and pursued with greater interest a much smaller number of opportunities. In April 2018, an office was opened in Burlington, Ontario to review and consider potential acquisition opportunities in central and eastern Canada.

On March 15, 2019, in connection with the Trust and the Partnership reaching their five-year anniversary of investment for initial investors and in preparation of seeking a form of commercially appropriate liquidity event for such investors, the Unitholders and the LP Unitholders approved amendments to the Declaration of Trust and the LP Agreement which extended the term of the Trust and the Partnership for an additional five years while crystalizing the performance of the Trust and the Partnership to date (collectively, the "**Extension**"). The effective date of the Extension was March 22, 2019.

The Trust has made its stipulated quarterly distributions on the Preferred Units of the Trust beginning October 1, 2013 until December 31, 2019. The Trust suspended its quarterly distributions in March 2020 due to COVID-19. See Item 2.2.5 - COVID-19.

For a summary of the transactions completed by Investco, see Item 2.2.4 - *Acquisitions and Divestitures*.



## 2.4 Long Term Objectives

### 2.4.1 Long Term Objectives of the Trust

The long term objectives of the Trust are to achieve income generation from cash distributions from the Partnership pursuant to the Preferred Units of the LP. In order to achieve its objectives, the Trust must successfully raise capital, including pursuant to the Offering, for subsequent investment into the Partnership.

### 2.4.2 Long Term Objectives of the Partnership/Investco

The long term objectives of the Partnership and Investco are to achieve income generation from the Business. In order to achieve its objectives, the Partnership must successfully raise capital, including pursuant to the sale of Preferred Units of the LP to the Trust, for subsequent investment into the Business.

Pursuant to the LP Agreement, the General Partner shall use reasonable commercial efforts to seek a commercially appropriate liquidity event as soon as reasonably practicable after March 31, 2024. In addition, the Partnership shall not, directly or indirectly, acquire any new operating businesses after March 31, 2024.

## 2.5 Short Term Objectives and How We Intend to Achieve Them

### 2.5.1 Short Term Objectives of the Trust/Partnership

The primary objectives of the Trust and the Partnership for the ensuing 12 months are to: (i) continue to acquire capital, including pursuant to the Offering; and (ii) invest the proceeds from raised capital, including pursuant to the Offering in, Investco.

Actions to be Taken	Target Completion Date	Cost to Complete
Complete the Offering and invest the proceeds of the Offering in Investco.	6-12 months	\$nil <sup>(1)(2)</sup>

**Notes:**

- (1) Any sales commissions on Preferred C Trust Units, Series A are paid by the Subscriber to the dealer and are in addition to, and do not form part of, the purchase price of the Preferred C Trust Units, Series A. Sales commissions may be negotiated between the dealer and the Subscriber. Assuming a \$30,000,000 Offering of Preferred C Trust Units, Series A, the Trust will incur offering costs of approximately \$40,000. See Item 7 - *Selling Agents And Compensation Paid To Sellers And Finders*.
- (2) Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust in connection with the Offering for funds invested in Preferred Units of the LP, and indirectly, in Investco. See Item 2.7.4 - *Reimbursement Agreement*.

### 2.5.2 Short Term Objectives of Investco

The primary objectives of Investco for the ensuing 12 months are to: (i) continue to acquire capital through the sale of securities to the Partnership and/or parallel investment entities; and (ii) invest the proceeds of the Offering in the Business.

Actions to be Taken	Target Completion Date	Cost to Complete
Acquire capital through the sale of securities to the Partnership.	6-12 months	\$40,000 <sup>(1)</sup>
Invest the net proceeds received from the Partnership and/or parallel investment entities in the Business. <sup>(2)</sup> See Item 2.2 - <i>The Business</i> .	6-12 months	\$29,960,000

**Notes:**

- (1) Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust in connection with the Offering for funds invested in Preferred Units of the LP, and indirectly, in Investco. See Item 2.7.4 - *Reimbursement Agreement*.
- (2) While Investco intends to use the net proceeds received from the Partnership to invest in the Business, Investco may use such proceeds to repay a portion of the outstanding amount drawn under the Credit Facilities or other indebtedness. Under the Credit Facilities, Investco must maintain certain financial ratios and comply with other covenants, which may impact the ability of Investco to reborrow any amounts that are used to repay amounts drawn under the Credit Facilities. The amount of any such repayment is not known at this time. See Item 4.2 - *Indebtedness*.

## 2.6 Insufficient Funds

The gross proceeds from this Offering from the issuance of Preferred C Trust Units, Series A and Preferred C Trust Units, Series F will be used by the Trust to invest in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F, respectively. The Trust does not intend to hold any significant cash reserves other than those amounts necessary to pay administrative expenses incurred by the Trust. In some instances, the Trust may temporarily retain cash from a distribution from the Partnership in order to ensure regular distributions to Preferred Trust Unitholders. The available funds from the Offering may not be sufficient to accomplish all of the Trust's proposed objectives and there is no assurance that alternative financing will be available.

## **2.7 Material Contracts**

### **2.7.1 Declaration of Trust**

The rights and obligations of Unitholders are governed by the Declaration of Trust. A copy of the Declaration of Trust is available for review, upon request to the Administrator, at the offices of the Administrator during regular office hours or electronically, upon request to the Administrator at [distributions@equicapita.com](mailto:distributions@equicapita.com).

**The following is a summary only of certain terms in the Declaration of Trust which, together with other summaries of additional terms of the Declaration of Trust appearing elsewhere in this Offering Memorandum, are qualified in their entirety by reference to the actual text of the Declaration of Trust, a review of which is recommended to Subscribers.**

#### **Undertaking of the Trust**

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

- (a) acquiring, holding, transferring, disposing of, investing in, lending to, and otherwise dealing with, assets, securities (whether debt or equity) and other interests or properties of whatever nature or kind of (except for real property or an interest in real property unless any such real property or interest in real property is capital property of the Trust), or issued by, any person (including the Partnership) and making such other investments as the Trustees determine;
- (b) holding cash and other investments in connection with and for the purposes of the Trust's activities, including paying liabilities of the Trust (including administration expenses), paying any amounts required in connection with the redemption of Units, and making distributions to Unitholders;
- (c) disposing of all or any part of the Trust Property;
- (d) issuing Units, installment receipts, and Other Trust Securities (including debt instruments, securities convertible into or exchangeable for Units or other securities of the Trust, or warrants, options or other rights to acquire Units or other securities of the Trust), for the purposes of, without limitation: (i) conducting, or facilitating the conduct of, the activities and undertaking of the Trust (including for the purpose of raising funds for acquisitions); (ii) repayment of any indebtedness or borrowings of the Trust or any affiliate thereof; (iii) establishing and implementing Unitholder rights plans, distribution reinvestment plans, Unit purchase plans, and incentive option and other compensation plans of the Trust, if any; (iv) satisfying obligations to deliver securities of the Trust, including Units, pursuant to the terms of securities convertible into or exchangeable for such securities of the Trust, whether or not such convertible or exchangeable securities have been issued by the Trust; (v) carrying out any of the transactions contemplated by any offering documents and satisfying all obligations in connection with such transactions; and (vi) making non-cash distributions to Unitholders, including in specie redemptions as well as distributions;
- (e) repurchasing or redeeming Units or Other Trust Securities, subject to the provisions of the Declaration of Trust and applicable law;
- (f) issuing debt securities or otherwise borrowing funds, as well as mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Trust Property, whether as security for obligations of the Trust or otherwise;
- (g) guaranteeing (whether as guarantor, surety or co-principal obligor, or otherwise) any obligations, indebtedness or liabilities, present or future, direct or indirect, absolute or contingent, matured or not of any person for, or in pursuit of pursuing or facilitating the business and purposes of the Trust, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Trust Property as security for such guarantee;
- (h) carrying out any of the transactions, and exercising, performing and satisfying any of the rights, liabilities and obligations of the Trust under any agreements or arrangements, entered into in connection with pursuing the business and purposes of the Trust; and
- (i) engaging in all activities, and taking all such actions, ancillary or incidental to any of those activities set forth in (a) through (h) above.

## Different Investments

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

## Trustees

Trustees are appointed for a term of office which shall expire upon their resignation or removal in accordance with the Declaration of Trust. If there are no Trustees, an appointment of Trustees shall be made by Ordinary Resolution of the Common Trust Unitholders. The maximum number of Trustees shall be fixed at four. Trustees may appoint one or more Trustees to fill a vacancy among the Trustees. The Declaration of Trust provides that, subject only to the specific limitations and restrictions and to any grant of powers to the Administrator contained in the Declaration of Trust, the Trustees have full, absolute and exclusive power, control and authority over the Trust Property and over the business and undertaking of the Trust to the same extent as if the Trustees were the sole and absolute beneficial owners of such property in their own right and may do all such acts and things as they, in their sole judgment and discretion, deem necessary or incidental to, or desirable for, the carrying out of the terms of the trust created by the Declaration of Trust. All determinations of the Administrator and the Trustees and any person to whom the Trustees have delegated duties (including the Administrator), whether delegated under the Declaration of Trust or pursuant to any other agreement (including the Administration Agreement) where such determinations are made in good faith with respect to any matters relating to the Trust, including, without limitation, whether any particular investment or disposition meets the requirements of the Declaration of Trust, shall be final and conclusive and shall be binding upon the Trust and all Unitholders.

The Declaration of Trust provides that the Trustees must exercise their powers and carry out their functions under the Declaration of Trust honestly and in good faith with a view to the best interests of the Trust and that, in connection therewith, they exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (herein the "**Standard of Care**"). In general, each Trustee shall be indemnified against all liabilities or claims against them or the Trust, and they shall have no liability to any Unitholders, where such liabilities or claims arise out of being or having been a trustee of the Trust, unless such liabilities or claims arise as a result of the Trustee failing to satisfy the Standard of Care or, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, where such Trustee did not have reasonable grounds for believing that his conduct was lawful. A Trustee shall not be required to devote his entire time to the affairs of the Trust.

## The Administrator

**The Trustees have delegated to the Administrator, under the terms of the Administration Agreement, the obligation to provide and perform for and on behalf of the Trust essentially all services that are or may be required or advisable, from time to time, in order to manage, administer and govern the operations of the Trust.** The Administration Agreement sets forth all of the rights, restrictions and limitations (including, without limitation, limitations of liability and indemnification rights) which pertain to the performance by the Administrator of the duties delegated to it by the Trustees. Pursuant to the terms of the Declaration of Trust, those rights, restrictions and limitations also apply in all respects to the Administrator in the exercise and performance by it of all powers, duties and authorities conferred upon or delegated to the Administrator under the terms of the Declaration of Trust. See Item 2.7.3 - *Administration Agreement*.

## Conflict of Interest

In addition to his interest as a Trustee of the Trust, a Trustee may have other interests or associations of whatever nature or kind. Without limiting the foregoing, the Declaration of Trust expressly provides that each Trustee is permitted: (a) to be an associate, affiliate, securityholder, director, officer, trustee, employee, agent or consultant of, or otherwise involved with, a person from or to whom assets of the Trust have been or are to be purchased or sold; (b) to be a person, or to be an associate, affiliate, securityholder, director, officer, trustee, employee, agent or consultant of (or otherwise involved with) a person, with whom the Trust contracts or deals or which supplies services to the Trust; (c) to acquire, hold and dispose of, for such Trustee's own account, any property (real, personal, tangible or intangible) even if such property is of a character which could be held by the Trust, and to exercise all rights of an owner of such property as if such Trustee were not a Trustee; (d) to acquire, hold and sell Units as principal, or as an affiliate or associate of or fiduciary for any other person, and to exercise all rights of a holder thereof as if such Trustee was not a Trustee; and (e) to have business interests of any nature and to continue such business interests while a Trustee.

Under the terms of the Declaration of Trust, the Unitholders acknowledge and accept that there are, and will continue to be, potential or actual interests of one or more of the Trustees, or their associates or affiliates (including conflicts of interest) with respect to business or other interests held directly or indirectly by, and/or contractual arrangements or transactions directly or indirectly involving, one or more of the Trustees, or their respective associates or affiliates, and the Unitholders agree that: (a) any Trustee is permitted (notwithstanding any liability which might otherwise be imposed by law or in equity upon such Trustee as a trustee of the Trust) to derive direct or indirect



benefit, profit or advantage from time to time as a result of dealing with the Trust or its affiliates or as a result of the relationships, matters, contracts, transactions, affiliations or other interests it may have and such Trustee shall not be liable in law or in equity to pay or account to the Trust, or to any Unitholder (whether acting individually or on behalf of itself and other Unitholders as a class) for any such direct or indirect benefit, profit or advantage nor, in such circumstances, will any contract or transaction be void or voidable at the instance of the Trust of any Unitholder or any other person; and (b) interests of any Trustee, or their respective associates or affiliates, including any conflicts of interest, will not form the basis for any claim against such Trustee, or their respective affiliate or associate, or for any attempt to challenge or attack the validity of any contract, transaction or arrangement (or renewal, extension or amendments of same) which the Trustees may enter into on behalf of the Trust; provided, in each case, that the Trustee in question has otherwise exercised its powers and discharged its duties, as set out in the Declaration of Trust, honestly and in good faith in respect to the matter, contract, transaction or interest in question.

#### **Attributes of the Units of the Trust**

The beneficial interests in the Trust are represented and constituted by six classes and four series of Units, being the Common Trust Units, the Preferred Trust Units, the Preferred B Trust Units, the Preferred B Trust Units, Series A, the Preferred B Trust Units, Series F, the Preferred C Trust Units, the Preferred C Trust Units, Series A, the Preferred C Trust Units, Series F, the Preferred D Trust Units, and the Preferred E Trust Units. Each class may be divided into one or more series. Provided that the rights of the Unitholders are not materially prejudiced thereby, the Trustees shall have sole discretion in creating additional classes or series of Units and determining the attributes that shall attach to such classes or series of Units, and whether any class or series of Units may or will be re-designated as a different class or series of Units from time to time. Any class or series of Units created and authorized for the Trust and not set out above shall be as shown from time to time in a supplemental document pursuant to the Declaration of Trust.

The Preferred B Trust Units, Series A, the Preferred B Trust Units, Series F, the Preferred C Trust Units, Series A and the Preferred C Trust Units, Series F, were created by supplemental trust indentures dated October 18, 2019.

The only securities being offered pursuant to this Offering Memorandum are the Offered Units. A summary of the material attributes of the Preferred Units of the Trust are contained in Item 5.1 - *Terms of Securities*.

The Common Trust Units have certain rights, privileges, restrictions and conditions, a summary of which is set out below:

- (a) *Voting Rights*: The holders of the Common Trust Units shall be entitled to receive notice of and to attend all meetings of Unitholders and to one vote in respect of each Common Trust Unit held at all such meetings, except for meetings of only Preferred Trust Unitholders called for the purposes set forth in the Declaration of Trust.
- (b) *Participation upon Liquidation, Dissolution or Winding Up*: In the event of the liquidation, dissolution or winding up of the Trust, or other distribution of assets of the Trust among Unitholders for the purpose of winding up the affairs of the Trust, each Common Trust Unitholder shall be entitled to receive from the assets of the Trust, for and in respect of each Common Trust Unit held by such Common Trust Unitholder, a sum equivalent to the quotient obtained when (1) the aggregate gross proceeds from the issuance of all Common Trust Units issued by the Trust since formation and still outstanding at the time of winding up the affairs of the Trust, is divided by (2) the aggregate number of Common Trust Units issued and outstanding at the time of winding up the affairs of the Trust, and all such amounts shall be paid before any amount shall be paid, or any Trust Property shall be distributed, to any holder of Preferred Units of the Trust or trust units of any other class or series ranking junior to the Common Trust Units. After all payments as provided have been made to the Common Trust Unitholders, such Common Trust Unitholders shall have no further entitlement to participate in any further distributions of the Trust Property upon any such liquidation, dissolution or winding up of the affairs of the Trust.

#### **Distributions**

The Common Trust Unitholders shall not be entitled to distributions.

For the distribution entitlements in respect of the Preferred Units of the Trust, see Item 5.1 - *Terms of Securities - Distributions*.

#### **Redemption Rights**

- (a) Common Trust Units

Each Common Trust Unitholder shall be entitled to require the Trust to redeem at any time and from time to time at the demand of the holder, in accordance with the terms and conditions set forth in the Declaration of Trust, all or any part of the Common Trust Units registered in the name of the Common Trust Unitholder. There are certain procedural requirements, set forth in the Declaration of Trust, which must be adhered to by the Common Trust Unitholder in connection with any redemption of Common Trust Units. The redemption price per Common Trust Unit to be received upon such redemption by the Common Trust Unitholder is the lesser of: (A) the fair market value of such Common Trust Unit as at the date upon which such Common Trust Unit was tendered for redemption; and (B) \$1.00.

(b) Preferred Units of the Trust

For the redemption rights in respect of the Preferred Units of the Trust, see Item 5.1 - *Terms of Securities - Redemption and Retraction Rights*.

**Meetings of Unitholders**

There is no requirement to hold annual meetings of the Unitholders. Except for certain limited circumstances, no Preferred Trust Unitholder shall be entitled to receive notice of or to attend any meeting of Unitholders or to vote at any such meeting or to vote in respect of any matter whatsoever requiring Unitholder approval. See Item 5.1 - *Terms of Securities - Voting Rights*.

**Limitation on Non-Resident Ownership**

It is in the best interest of the Unitholders that the Trust always qualifies as a "mutual fund trust" under the Income Tax Act and this requires, among other things, that the Trust shall not be established or maintained primarily for the benefit of Non-Residents. Accordingly, for so long as it is required by the Income Tax Act for the Trust to maintain its status as a "mutual fund trust", at no time may Non-Residents be the beneficial owners of more than 49% of the outstanding Units, on a non-diluted, fully diluted and fair market basis and it shall be the responsibility of the Administrator to monitor compliance by the Trust with this Non-Resident restriction in accordance with the published policies of the relevant taxation authority. The Declaration of Trust grants the Administrator the power and authority to take all such action as it determines in its discretion is reasonable and practicable in the circumstances in order to ensure compliance by the Trust with the Non-Resident restriction, including the ability of the Administrator to sell Units beneficially owned by Non-Residents.

**Transfer of Units**

No Unitholder shall sell, transfer, assign or otherwise dispose of its Units, in whole or in part, to any other person except with the consent of the Administrator and in compliance with applicable securities laws and the Declaration of Trust. The Declaration of Trust provides that no such sale, transfer, assignment or other disposition of Units shall be effective as against the Trustees or shall be in any way binding upon the Trustees unless certain terms and conditions are met, including: (a) delivery to the transfer agent of a duly executed instrument of transfer and accompanied by all necessary transfer or other taxes imposed by law, and the Unit certificate(s) representing such Units being transferred (if certificates representing such Units have been issued) properly endorsed, and, in each case, accompanied by evidence of the genuineness of such endorsement, execution and authorization; (b) reporting to the Trustees or the Administrator the details concerning the transfer, including name, address, citizenship and country of residence of the transferee, as well as the price per Unit at which the sale and transfer has occurred together with such other information as the Trustees or the Administrator may reasonably request, and evidenced by appropriate documentation; (c) any outstanding liabilities of the transferor to the Trust shall have been paid, or arrangements made satisfactory to the Trustees or Administrator for the assumption of such liabilities by the transferee; and (d) the transfer has been recorded on the applicable register of the Trust or one of the branch transfer registers maintained by the transfer agent of the Trust.

**Amendments to the Declaration of Trust**

Except in certain limited circumstances where the Trustees are entitled without the approval of the Unitholders to make amendments to the Declaration of Trust (refer to full text of Declaration of Trust), the Declaration of Trust may only be amended or altered by Special Resolution of the holders of Common Trust Units. Preferred Trust Unitholders will not be entitled to vote in respect of such Special Resolution unless the nature of the proposed amendment triggers the limited voting rights of Preferred Trust Unitholders. See Item 5.1 - *Terms of Securities - Voting Rights*.

**Power of Attorney**

Upon becoming a Unitholder of the Trust, each Unitholder, pursuant to the terms of the Declaration of Trust, grants to the Trustees a power of attorney constituting the Trustees (whether acting individually or collectively), with full power of substitution, as the true and lawful attorney of such Unitholder to act on his behalf, with full power and authority in the Unitholder's name, place and stead to execute, under seal or otherwise, swear to, acknowledge, deliver, make, file or record (and to take all requisite actions in connection with such matters), when, as and where required: (a) the Declaration of Trust and any other instrument required or desirable to qualify, continue and keep in good standing the Trust as a mutual fund trust in all jurisdictions that the Trustees deem appropriate and to ensure that the Trust is not a SIFT trust in all jurisdictions that the Trustees deem appropriate; (b) any instrument, deed, agreement or document in connection with carrying on the affairs of the Trust as authorized in the Declaration of Trust; (c) all conveyances, transfers and other documents required in connection with the dissolution, liquidation or termination of the Trust in accordance with the Declaration of Trust; (d) any and all elections, determinations or designations whether jointly with third parties or otherwise, under the Income Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Trust or of a Unitholder's interest in the Trust; (e) any instrument, certificate and other documents necessary or appropriate to reflect and give effect to any amendment to the Declaration of Trust which is authorized from time to time as contemplated by the terms of the Declaration of Trust; (f) all transfers, conveyances and other documents required to deal with Units of non-tendering offerees pursuant to take-over bid, but subject to the provisions contained in the Declaration of Trust; and (g) any instrument, deed, agreement or document as may be necessary or appropriate in connection with carrying on the business and undertaking of the Trust; and, for further certainty, it is acknowledged and agreed by each Unitholder that the Trustees may exercise any of the powers granted under this power of attorney irrespective of whether

the Administrator has been expressly authorized herein to take any such actions referred to above, and that the Trustees may substitute the Administrator as a delegate, in whole or in part, of the powers granted herein.

Under the Declaration of Trust, each Unitholder is agreeing that the power of attorney is, to the extent permitted by applicable law, irrevocable and is a power coupled with an interest and shall survive the insolvency, death, mental incompetence, disability and any subsequent legal incapacity of the Unitholder and shall survive the assignment by the Unitholder of all or part of the holder's interest in the Trust and will extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Unitholder. Each Unitholder agrees to be bound by any representations or actions made or taken by the Trustees or their delegate(s) pursuant to the power of attorney and waives any and all defences which may be available to contest, negate or disaffirm any actions taken by the Trustees in good faith under the power of attorney. The power of attorney survives and continues not only in respect of the Trustees but also in respect of any successor trustee.

### **Accounting and Reporting**

The Trust's fiscal year end is December 31. The Trust shall distribute to each Unitholder, within 140 days after the end of each fiscal year (or within such shorter time as may be required by applicable securities law), the annual audited consolidated financial statements of the Trust for such fiscal year. The auditors of the Trust shall be a recognized firm of chartered accountants which has an office in Canada and which is independent of the Trust, the Trustees and the Administrator.

### **Term of the Trust and Distribution on Wind-Up**

Subject to earlier termination in accordance with the Declaration of Trust, the Trust shall continue for a term ending 21 years after the date of the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on April 23, 2013. The Trust shall commence its wind-up and termination upon the first of the following to occur: (a) a proposal by the Trustees or the Administrator to wind up and terminate the Trust, which proposal is approved by way of Special Resolution of the holders of Common Trust Units, or (b) the date upon which each of the material entities in which the Trust holds an interest, or has otherwise invested, have been liquidated; which generally means such entities have been wound-up and their net assets distributed to those so entitled upon a wind-up, dissolution or termination of such entities.

### **Rights of Unitholders**

Unitholders do not have the protections, rights and remedies as an investor would have as a shareholder of a corporation (such as one governed by the ABCA). Unlike shareholders of an ABCA corporation, Unitholders do not have a comparable right to make a unitholder proposal at a meeting of Unitholders of the Trust. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of an ABCA corporation. Unitholders do not have recourse to a dissent right under which shareholders of an ABCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken. As an alternative, Unitholders seeking to terminate their investment in the Trust are entitled to redeem their Units, as described under Item 5.1 - *Terms of Securities - Redemption and Retraction Rights*. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of an ABCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or in disregard to the interests of securityholders and certain other parties. Shareholders of an ABCA corporation may apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders can rely only on the general provisions of the Declaration of Trust or any applicable common law rights. Finally, unlike Unitholders, shareholders of an ABCA corporation can bring a "derivative action" in the name of the corporation or may apply to a court for the appointment of an inspector, subject to court oversight and other investigative procedures, to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred.

#### **2.7.2 LP Agreement**

The rights and obligations of Limited Partners (including the Trust, Preferred LP Unitholders and the Special Limited Partner) are governed by the LP Agreement. A copy of the LP Agreement is available for review, upon request to the General Partner, at the offices of the General Partner during regular office hours or electronically, upon request to the General Partner at [distributions@equicapita.com](mailto:distributions@equicapita.com).

**The following is a summary only of certain provisions in the LP Agreement which, together with other summaries of additional terms of the LP Agreement appearing elsewhere in this Offering Memorandum, are qualified in their entirety by reference to the actual text of the LP Agreement, a review of which is recommended to Subscribers.**

#### **Purpose**

The Partnership was formed on April 23, 2013 under the Partnership Act and is governed by the LP Agreement. The Partnership was formed for the purpose of investing in a diversified portfolio of operating businesses, primarily located in Canada that have, among other things, demonstrated an ability to generate sustainable cash flow. The Partnership invests for the purpose of exercising, or seeking to exercise, control of businesses or assets or will, through the General Partner, participate actively in the management of the businesses or assets in which it invests. The Partnership primarily makes equity investments however, on a selective basis, the Partnership utilizes vendor financing.

## Attributes of the LP Units

The interests in the Partnership shall be represented and constituted by 11 classes and four series of units, Common LP Units, Preferred LP Units, Preferred A1 LP Units, Preferred B LP Units, Preferred B1 LP Units, Preferred B1 LP Units, Series A, Preferred B1 LP Units, Series F, Preferred C LP Units, Preferred C1 LP Units, Preferred C1 LP Units, Series A, Preferred C1 LP Units, Series F, Preferred D LP Units, Preferred D1 LP Units, Preferred E LP Units and Preferred E1 LP Units, each divided into an unlimited number of series. The Partnership is authorized to issue an unlimited number of Common LP Units and an unlimited number of Preferred Units of the LP. Each class may be divided into one or more series. Provided that the rights of the Limited Partners are not materially prejudiced thereby, the General Partner shall have sole discretion in creating additional classes or series of LP Units and determining the attributes that shall attach to such classes or series of LP Units and whether any class or series of LP Units may or will be re-designated as a different class or series of LP Units from time to time. Any class or series of LP Units created and authorized for the Partnership and not set out above shall be shown from time to time in an amendment or amendment and restatement to the LP Agreement.

The General Partner is the only Common LP Unitholder of the Partnership.

The Preferred B1 LP Units, Series A, the Preferred B1 LP Units, Series F, the Preferred C1 LP Units, Series A and the Preferred C1 LP Units, Series F, were created by the General Partner on October 18, 2019.

The gross proceeds from this Offering from the issuance of Preferred C Trust Units, Series A and Preferred C Trust Units, Series F will be used by the Trust to invest in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F, respectively.

The LP Units have certain rights, privileges, restrictions and conditions, a summary of which is set out below:

### *Voting Rights*

#### (a) Common LP Units

The holders of the Common LP Units shall be entitled to receive notice of and to attend all meetings of LP Unitholders and to one vote in respect of each Common LP Unit held at all such meetings, except for meetings of only holders of Preferred Units of the LP called for the purposes set forth in the LP Agreement.

#### (b) Preferred Units of the LP

Except as provided in the LP Agreement, no Preferred LP Unitholder shall be entitled to receive notice of or to attend any meeting of Limited Partners or to vote at any such meeting or to vote in respect of any matter whatsoever requiring Limited Partner approval pertaining to the Partnership (whether at a meeting or by written resolution). The Partnership shall call and hold a meeting of LP Unitholders, at which only Preferred LP Unitholders may attend and vote separately as a class for certain fundamental matters in respect of the Preferred Units of the LP.

### *Participation upon Liquidation, Dissolution or Winding Up*

#### (a) Common LP Units

In the event of the liquidation, dissolution or winding up of the Partnership, or other distribution of assets of the Partnership among the LP Unitholders for the purpose of winding up the affairs of the Partnership, each Common LP Unitholder shall be entitled to receive from the assets of the Partnership, an amount of \$1.00 per Common LP Unit, and all such amounts shall be paid before any amount shall be paid to any holder of Preferred Units of the LP or LP Units of any other class or series ranking junior to the Common LP Units. After all payments as provided have been made to the holders of the Common LP Units, such holders shall have no further entitlement to participate in any further distributions of the Partnership Property upon any such liquidation, dissolution or winding up of the affairs of the Partnership.

#### (b) Preferred Units of the LP

In the event of the liquidation, dissolution or winding up of the Partnership, or other distribution of assets of the Partnership among the LP Unitholders for the purpose of winding up the affairs of the Partnership, each Preferred LP Unitholder shall be entitled to receive from the assets of the Partnership, subject to the rights of the holders of any other class or series of Units entitled to receive assets of the Partnership upon such a distribution in priority to, or concurrently with, the holders of the Preferred Units of the LP, be entitled to participate in the distribution. Each class or series of Preferred Units of the LP shall be entitled to a portion of such distribution determined in the same manner as set forth in the LP Agreement. See Item 5.1 - *Terms of Securities - Distributions*.

### *Redemption Rights*

#### (a) Common LP Units

Common LP Unitholders have no redemption rights associated with Common LP Units.

#### (b) Preferred Units of the LP

**Right of the Preferred LP Unitholder** - For so long as the Preferred Units of the LP are not a security that is an "exchange-traded security" or a "foreign exchange-traded security" (as those terms are defined in National Instrument 21-101 – *Marketplace Operation* of the Canadian Securities Administrators), each Preferred LP Unitholder shall be entitled to require the Partnership to redeem at any time and from time to time at the demand of the holder, all or any part of the Preferred Units of the LP registered in the name of the Preferred LP Unitholder. There are certain procedural requirements, set forth in the LP Agreement, which must be adhered to by the LP Unitholders in connection with any redemption of Preferred Units of the LP. Subject to an aggregate maximum of \$10,000 in cash in respect of all redemptions in any calendar month as described below, the Partnership shall pay the redemption price in respect of Preferred Units of the LP accepted for redemption within 45 days after receipt of the notice of redemption.

The redemption price per Preferred Unit of the LP to be received on redemption by Preferred LP Unitholders will be the lesser of: (i) the Market Value of such unit as at the date upon which such Preferred Unit of the LP was tendered for redemption; and (ii) \$1.00 minus any amount distributed in respect of such Preferred Unit of the LP in respect of Return of Capital; in each case, multiplied by 90% (the "**Redemption Penalty**"); provided that the General Partner, in its sole discretion, may waive the Redemption Penalty that would otherwise apply to any Preferred Unit of the LP being redeemed.

In the case of a redemption of Preferred Units of the LP by a Preferred LP Unitholder, the payment of the redemption price shall be paid by cash, provided that the Partnership shall only be obligated to pay up to \$10,000 in cash in respect of redemptions in any calendar month, unless the General Partner determines a greater cash amount. Such cash amount shall be paid *pro rata* to redeeming Preferred LP Unitholders. The balance of the redemption price for Preferred Units of the LP will be paid through the issuance of Redemption Notes and/or distribution, *in specie*, of Partnership Property.

Upon the tender of Preferred Units of the LP for redemption, the Preferred LP Unitholder shall thereafter cease to have any rights with respect to the Preferred Units of the LP tendered for redemption (including no right to receive distributions in respect of units where such distributions are declared payable to Preferred LP Unitholders of record on a date which is on or subsequent to the date upon which such Preferred Units of the LP were tendered for redemption), other than to receive the redemption price, and the right to receive any distributions thereon which have been declared payable to Preferred LP Unitholders of record on a date which is prior to the date upon which such Preferred Units of the LP have been tendered for redemption.

**Right of the Partnership** - The Partnership is entitled at any time, and from time to time, to redeem all or any part of the issued and outstanding Preferred Units of the LP. There are certain procedural requirements, set forth in the LP Agreement, which must be adhered to by the Partnership in connection with any redemption of Preferred Units of the LP. The Partnership shall pay the redemption price in respect of Preferred Units of the LP to be redeemed within 45 days after the date specified for redemption by the Partnership.

The redemption price per Preferred Unit of the LP to be received upon redemption by the Partnership is the Market Value of the Preferred Unit of the LP being redeemed as at the date that the notice of redemption was provided.

In the case of a redemption of Preferred Units of the LP by the Partnership, the payment of the redemption price shall be paid by any combination of cash, the issuance of Redemption Notes and/or distribution, *in specie*, of Partnership Property, provided that any cash amount shall be paid *pro rata* to redeeming Preferred LP Unitholders. Concurrently with the payment of the redemption price in respect of Preferred Units of the LP redeemed by the Partnership, the Partnership will pay in cash to the Special Limited Partner an amount equal to the Carried Interest that would have been attributable to the Special Limited Partner when determining the Market Value of the Preferred Units of the LP being redeemed.

From and after the date specified for redemption by the Partnership, such Preferred Units of the LP being redeemed shall cease to be entitled to distributions or any other participation in the assets of the Partnership and the holders thereof shall not be entitled to exercise any of their other rights as Preferred LP Unitholders in respect thereof.

#### **Fair Market Value**

The fair market value of Partnership Property: (i) for the purposes of the definition of Market Value in the LP Agreement; or (ii) distributed *in specie* in satisfaction of the redemption price of any Preferred Units of the LP shall be determined by the General Partner in its sole discretion, acting reasonably.

#### **Distributions**

The Common LP Units are not entitled to distributions.

For the distribution entitlements in respect of the Preferred Units of the LP, see Item 5.1 - *Terms of Securities - Distributions*.

#### **Management and Control of the Partnership**

Subject to the Partnership Act and to the limitations expressly set forth in the LP Agreement, the General Partner will have exclusive authority to direct and manage the affairs of the Partnership, with full power and authority to administer, manage, control and operate the business carried on by the Partnership and to do any act, take any proceedings, make any decisions and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying on the Business for and on behalf of the Partnership.



The LP Agreement provides that the General Partner must exercise its powers and discharge its duties honestly and in good faith and in the best interests of the Partnership and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### **Term**

The General Partner shall use reasonable commercial efforts to seek a commercially appropriate liquidity event as soon as reasonably practicable subsequent to March 31, 2024. In addition, the Partnership shall not, directly or indirectly, acquire any new operating businesses subsequent to March 31, 2024.

In addition, any amendment to the LP Agreement that would have the effect of extending the investment term of the Partnership shall require a Special Resolution of the Preferred Units of the LP outstanding as at March 22, 2019.

#### **Removal of General Partner**

The Limited Partners have no right to remove the General Partner except upon the occurrence of any one (1) of the following defaults by the General Partner:

- (a) the General Partner (i) files a voluntary petition in bankruptcy or makes any assignment for the benefit of creditors of the General Partner, or (ii) consents to or acquiesces to the appointment of a trustee, receiver or liquidator of the General Partner;
- (b) the General Partner has commenced against it (i) the institution of any proceeding or the taking of any action seeking to adjudicate it bankrupt, or seeking liquidation, dissolution, winding-up, reorganization or protection of its property, (ii) the making of a proposal with respect to it under any law related to bankruptcy, insolvency, reorganization or other similar law, or (iii) the seeking of the appointment of a receiver, trustee, agent or other similar official for it for a substantial part of its assets, provided that any such proceeding, petition or action under this paragraph (b) has been commenced against the General Partner or any of its assets by a bona fide party and is not stayed, vacated or dismissed within ninety (90) days; or
- (c) the General Partner breaches or fails to observe or perform any of the General Partner's material obligations, covenants or responsibilities under the LP Agreement, and if such breach or failure is reasonably remediable within sixty (60) days of having received written notice from the Limited Partners specifying the nature of such breach or failure, the General Partner fails to cure such breach or failure within such sixty (60) day period, or if such breach or failure is not reasonably remediable within such sixty (60) day period, the General Partner fails to commence within such sixty (60) day period to take steps to remedy such default and to thereafter proceed diligently to cure or remedy such breach or failure.

Upon the occurrence of a default of the General Partner as set out above, the Common LP Unitholders may remove the General Partner by passage of a Special Resolution of the Common LP Unitholders in favour of such removal, provided that such Special Resolution shall only be effective if it includes provision for the appointment of a substitute general partner of the Partnership to be appointed concurrent with the removal of the General Partner. The Limited Partners must provide the General Partner with written notice stating the effective date of the removal, provided that the removal of the General Partner shall only take effect, notwithstanding the Special Resolution, once the following has occurred:

- (a) the full and unconditional release of the General Partner and its affiliates or associates (as the case may be) is obtained in respect of any mortgage or other indebtedness, liability or obligation of the Partnership to which they are subject, whether as a guarantor, co-covenantor or otherwise;
- (b) the payment of all money owing to the General Partner as of the effective date of the removal;
- (c) the payment of an amount equal to the Carried Interest that would be payable to the Special Limited Partner if the Partnership Property were on the effective date of the removal sold for their fair market value determined in accordance with the LP Agreement and the proceeds therefrom were on the date of determination distributed to the partners of the Partnership in accordance with the LP Agreement, after credit or debit, as the case may be, for the amount of the Partnership's assets and liabilities; and
- (d) where the general partner being removed is Equicapita Income GP Ltd., the repayment in full of all outstanding indebtedness of the Partnership to the Trust, howsoever and whensoever incurred.



## **Reimbursement of General Partner and the Service Provider**

The Partnership will reimburse the General Partner and the Service Provider, when and as invoiced, for all direct and indirect operating, general and administrative costs and expenses (including all costs of administration, overhead and remuneration paid to directors, officers and employees of the Partnership or the General Partner and the Service Provider (other than remuneration paid to Stephen Johnston, Matthew Barr and Michael Cook)) and fees and expenses paid or payable pursuant to the Services Agreement, as well as other costs and expenses whatsoever, that the General Partner, the Service Provider or their affiliates or associates incur or have incurred which are related to or in connection howsoever with the operation and conduct of the business and affairs of the Partnership.

## **Business Interests of the General Partner**

The LP Agreement provides that Management, as well as their respective affiliates and associates, are permitted to have business and other interests or associations of whatever nature or kind apart from their activities related to the Partnership's business, including business and other interests or associations which comprise all or a portion of the Business. Management presently has, and may in the future have, other business interests and associations which consist of the Business.

Under the LP Agreement, Limited Partners acknowledge and accept that there are and will continue to be potential or actual interests of one or more of Management (or their associates or affiliates), including conflicts of interest, with respect to business or other interests held directly or indirectly by, and/or contractual arrangements or transactions directly or indirectly involving, one (1) or more of Management, the Partnership, the General Partner or any of the respective affiliates and associates of any of them, and the Limited Partners agree that (a) interests of the General Partner or any member of Management or their respective associates or affiliates ("**Interested Persons**"), including any conflicts of interest, will not form the basis for any claim against Management, the General Partner or any respective affiliate or associate thereof, or their respective shareholders, directors, officers or employees, nor will they form the basis for any attempt to challenge or attack the validity of any contract, transaction, arrangement or payment (or renewal, extension or amendments of same), irrespective of obtaining any approvals or not, and (b) any Interested Person is hereby expressly permitted to derive direct or indirect benefit, profit or advantage from time to time as a result of dealing with the Partnership or its affiliates or as a result of the relationships, matters, contracts, transactions, affiliations or other interests it may have and such Interested Person shall not be liable in law or in equity to pay or account to the Partnership, or to any Limited Partner for any such direct or indirect benefit, profit or advantage nor, in such circumstances, will any contract or transaction be void or voidable at the instance of the Partnership, Limited Partner or any other person; provided, in each case, that the General Partner has otherwise exercised its powers and discharged its duties under the LP Agreement honestly and in good faith in respect to the matter, contract, transaction or interest in question.

The General Partner may from time to time enter into agreements or contracts pursuant to which the General Partner employs or retains, on behalf of the Partnership, an affiliate or associate of the General Partner or any member of Management to provide goods or services to the Partnership, provided that the terms of such agreements or contracts are no less favourable to the Partnership than those that would be obtained from an independent third party.

## **Allocation of Net Income and Net Loss**

Subject to the discretion of the General Partner as outlined in the LP Agreement, the net income or net loss of the Partnership (as the case may be) for each fiscal year of the Partnership, as well as its income or loss from a particular source or a source in a particular place, and its capital gains and capital losses, shall each be allocated among the Limited Partners by the General Partner in a manner consistent with the distribution provisions set out in the LP Agreement. In so allocating net income or net loss, the General Partner shall act reasonably and fairly, taking into account the amount, timing and underlying character or source (whether as income or capital) of the actual and anticipated distributions to each of the partners with a view to ensuring that, over the term of the Partnership, each partner is allocated a portion of the net income or net loss that substantially corresponds to the amounts that are and are anticipated to be distributed to that partner.

## **Terms of Additional Financing**

The Partnership is authorized to issue an unlimited number of LP Units, each of which has the rights, privileges, restrictions and conditions set forth in the LP Agreement. The General Partner has complete discretion in determining the timing, terms and conditions of any additional financing and may do all things which it deems necessary, convenient, appropriate or advisable in connection with any additional financing, including: (a) determine to whom to issue debt securities, or other securities of the Partnership, in connection with such additional financing; and (b) mortgage, pledge, charge, grant a security interest in or otherwise encumber all or any part of the Partnership Property, whether as security for obligations of the Partnership under any additional financing or otherwise.

Without limiting the generality of the foregoing, the terms and conditions of any additional financing, as determined by the General Partner, may be set forth in a written agreement, instrument or other document to which the Partnership and the other persons involved with, participating in, or otherwise purchasing securities in connection with, such additional financing are together bound.

## **Distributions on Dissolution**

Upon the dissolution of the Partnership, the net proceeds from the liquidation of the assets of the Partnership will be distributed in the following order of priority: (a) to pay the expenses of liquidation and the debts and liabilities of the Partnership to its creditors, or to make due provision for payment thereof; and then (b) to provide for such reserves as the receiver considers reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership; and then (c) to pay to the General Partner the amount of its capital account balance together with the amount of any costs and expenses that the General Partner is entitled to receive from the Partnership; and (d) to pay to the Limited Partners the balance of the net proceeds in accordance with the LP Agreement.

## **Restriction on Transfer**

No partner may transfer any of the LP Units owned by it except to persons and in the manner expressly permitted in the LP Agreement. Any attempted transfer of LP Units made without compliance with, or in violation of, the LP Agreement will be null and void, and the General Partner will not approve any such transfer of LP Units and will not register, or permit the registration of, any such transfer.

No LP Unit may be transferred except in conformity with the following provisions: (i) A partner wishing to transfer any LP Units must deliver to the General Partner a transfer form (in form acceptable to the General Partner) duly completed and executed by the transferring partner and the intended transferee of the LP Units. The form of transfer must specify, inter alia, the number of LP Units to be transferred; (ii) LP Units may not be transferred to a person that is a "non-resident" of Canada within the meaning of the Income Tax Act or that is a "tax shelter" within the meaning of the Income Tax Act or an interest in which would be a "tax shelter investment" within the meaning of the Income Tax Act, and the transferee must deliver to the General Partner such instruments or other documents (including a statutory declaration of residency) as the General Partner may require to evidence the foregoing; and (iii) each transferee must, unless already a party hereto, become a party to and must become bound by the LP Agreement, and in connection therewith each transferee must deliver to the General Partner such instruments and other documents as the General Partner may request, including a duly authorized and executed signed counterpart of the LP Agreement, and no transfer will be effective unless such instruments and other documents are delivered.

Where the transferring partner and the transferee comply with all applicable provisions of the LP Agreement, the General Partner is authorized to admit, and the Limited Partners shall be deemed to consent to the admission of and will admit, the transferee to the Partnership as a Limited Partner, without further acts of the partners. A transferee who becomes a Limited Partner will be subject to the obligations and be entitled to the rights of a Limited Partner under the LP Agreement according to the class or series of LP Units of which it is the transferee.

Notwithstanding anything herein contained, the General Partner may refuse to effect a transfer if it determines that, among other things, giving effect to such transfer may adversely affect the Partnership.

## **2.7.3 Administration Agreement**

The Trust has entered into an Administration Agreement with the Administrator dated April 23, 2013, pursuant to which the Trustees have delegated to the Administrator the obligation to provide and perform for and on behalf of the Trust essentially all services that are or may be required or advisable, from time to time, in order to manage and administer the operations of the Trust. The Administration Agreement sets forth all of the rights, restrictions and limitations (including, without limitation, limitations of liability and indemnification rights) which pertain to the performance by the Administrator of the duties delegated to it by the Trustees, including:

### **Limitation of Liability**

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

### **Permitted Interests**

The Administrator and its directors and officers, as well as their respective affiliates and associates, are permitted to have business and other interests or associations of whatever nature or kind apart from their activities related to the Trust. The Trust and the Administrator have each acknowledged that there are and will continue to be potential or actual interests of the Administrator and its management, or their respective associates or affiliates, including conflicts of interest, with respect to interests held by, and/or contractual arrangements or transactions involving, one or more of the Administrator, the Administrator's management, the Trust or the Trustees, and any of the respective affiliates and associates of any of them, and the Trust has agreed that: (a) the Administrator's management (or their respective associates or affiliates), is expressly permitted to derive direct or indirect benefit, profit or advantage from time to time as a result of dealing with the Trust of its affiliates or as a result of the relationships, matters, contracts, transactions, affiliations or other interests whatsoever which it or they (as the case may be) may have, and the Administrator, one or more members of the Administrator's management, or their respective associates or affiliates (as the case may be) shall not be liable in law or in equity to pay or account to the Trust, its affiliates or to any Unitholders for any direct or indirect benefit, profit or advantage derived nor, in such circumstances, will any contract or transaction be void or voidable at the instance of the Trust or any Unitholder or any other person; and (b) interests of the Administrator or the Administrator's management (or their respective associates or affiliates), including any conflicts of interest, will not form the basis for any claim against the Administrator, the Administrator's management or any respective affiliate or associate thereof, or their respective shareholders, directors, officers or employees, or for any attempt to challenge or attack the validity of any contract,

transaction or arrangement (or renewal, extension or amendments of same), irrespective of obtaining any approvals or not, in each case, provided that the Administrator has otherwise exercised its powers and discharged its duties under the Administration Agreement honestly and in good faith.

### **Term and Termination**

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

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

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

### **Remuneration**

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

#### **2.7.4 Reimbursement Agreement**

As the Trust and the Partnership are intended to be vehicles to obtain financing for Investco from time to time as may be required by Investco to enable it to invest in the Business, Investco has entered into the Reimbursement Agreement with the Trust, the Administrator, and the Partnership effective May 2, 2014. Investco has entered into a similar agreement with the NR Partnership effective August 13, 2019

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

#### **2.7.5 Services Agreement**

The Administrator, the General Partner (in this section, the Administrator and General Partner is collectively referred to as "**Administrator/GP**"), the Trust, the Partnership, the NR Partnership, the Service Provider and Investco have entered into the Services Agreement dated August 13, 2019, pursuant to which the Service Provider has been engaged to provide or arrange for the provision of certain management services to the Administrator/GP, the Trust, the Partnership, the NR Partnership and Investco.

## Services Rendered

Pursuant to the Services Agreement, the Service Provider has been appointed as service provider to the Administrator/GP, the Trust, the Partnership, the NR Partnership and Investco, to provide or arrange for the provision of the following services:

- (a) providing overall strategic advice to Equicapita;
- (b) providing advice and assistance in connection with identifying, evaluating and recommending to Equicapita acquisitions or dispositions from time to time and, where requested to do so, assisting in negotiating the terms of such acquisitions or dispositions;
- (c) recommending and, where requested to do so, assisting in the raising of funds by way of debt, equity or otherwise, including the preparation and review of any prospectus or offering memorandum in respect thereof and assisting with communications support in connection therewith;
- (d) providing recommendations as to registered dealers to be appointed to distribute securities of Equicapita and providing marketing advice and assistance to registered dealers in connection with the distribution and sale of securities of Equicapita;
- (e) providing individuals to act as Trustees of the Trust and directors of the Administrator/GP and Investco, subject to the approval of the relevant securityholders;
- (f) making recommendations with respect to prospective candidates for senior officers of Equicapita;
- (g) making recommendations with respect to the exercise of any voting rights to which Equicapita is entitled in respect of its portfolio companies;
- (h) making recommendations with respect to unitholder rights plans, distribution reinvestment plans, unit purchase plans or incentive option or other compensation plans;
- (i) making recommendations with respect to the payment of distributions to unitholders by Equicapita; and
- (j) making recommendations with respect to insurance policies of Equicapita.

The Service Provider is authorized to delegate any of its responsibilities under the Services Agreement to third parties and shall bear the costs of any such third parties.

The Service Provider's responsibilities as service provider pursuant to the Services Agreement are subject to the supervision of the Administrator/GP or Investco, as applicable, and will only provide or arrange for the provision of services as the Administrator/GP or Investco may request, including the services identified above and provided that the Administrator/GP or Investco, as applicable, remains responsible for all investment and divestment decisions of the Trust, the Partnership, the NR Partnership and Investco.

## Fees and Expenses

In consideration for providing the services pursuant to the Services Agreement, the Service Provider is entitled to receive the Management Fee from the Partnership. The Service Provider may share some or all of the fees it receives pursuant to the Services Agreement with any other persons in its sole discretion. The Service Provider entitled to receive a similar fee from the NR Partnership.

The Service Provider will be reimbursed by the Trust, the Partnership, the NR Partnership, the Administrator/GP or Investco, as applicable, for certain costs incurred for or on behalf of the Trust, the Partnership, the NR Partnership, the Administrator/GP or Investco in the performance of its duties under the Services Agreement. The parties to the Services Agreement acknowledge and agree that all or a portion of the compensation paid or payable to employees or other personnel of the Service Provider (other than compensation paid or payable to Stephen Johnston, Matthew Barr and Michael Cook), as well as overhead costs (e.g. the cost of office space, furniture and day-to-day office supplies and services) associated with such employees who devote all or a portion of their time to the provision of services to an Equicapita entity may be allocated to the Equicapita entities (or any of them) as expenses of Equicapita.

## Term and Termination

The Services Agreement is terminable:

- (a) automatically, upon the winding-up and dissolution of the Trust, the Partnership, the NR Partnership and Investco; and
- (b) immediately by Investco or the Administrator/GP if the Service Provider: (i) commits any fraudulent act; or (ii) ceases to carry on business, becomes bankrupt or insolvent, resolves to wind-up or liquidate, makes a general assignment for the benefit of its creditors or has a receiver appointed with respect to any of its assets.

Upon termination, Equicapita will pay (or cause to be paid) to the Service Provider any fees and reimburse the Service Provider for any expenses and disbursements to which it is entitled under the Services Agreement as of the date of termination of the Services Agreement.

## **Indemnification and Limitations on Liability**

Pursuant to the Services Agreement, in the absence of fraud, wilful misconduct or gross negligence, neither the Service Provider nor its affiliates and associates and their respective partners, officers, directors, trustees, securityholders, agents, professional advisors and employees will be held liable to Equicapita, any securityholder of an Equicapita entity, or any other person for any loss or damage arising out of the performance of the Service Provider's obligations and duties under the Services Agreement. In fulfilling its obligations under the Services Agreement, the Service Provider may rely and act upon information furnished to it and reasonably believed by it to be accurate and reliable.

Equicapita has also agreed to indemnify each of the Service Provider, its affiliates and associates, and each of their respective partners, officers, directors, trustees, securityholders, agents and employees, on a joint and several basis, from and against all claims, demands, losses, actions, causes of action, damages and liabilities whatsoever, including costs, charges and expenses (including legal fees and disbursements incurred on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of the indemnity) arising from the Service Provider's performance of its obligations under the Services Agreement, except to the extent that such claims are caused by or arise from fraud, wilful misconduct or gross negligence.

## **Conflicts of Interest and Other Activities**

Pursuant to the Services Agreement, the Trust, the Partnership, the NR Partnership and Investco acknowledge that the Service Provider and the Administrator/GP are affiliates and that the Service Provider may act as a manager, adviser, service provider, distributor, registrar and/or transfer agent of any person, firm, corporation or fund (whether or not its investment objectives and policies are similar to those of Equicapita) and may take any action or do anything in relation to such services so long as the Service Provider is performing its obligations under the Services Agreement. No such performance of other services or the taking of any such action or the doing of any such thing by the Service Provider shall be in any manner restricted or otherwise affected by any aspect of the relationship of the Service Provider to or with Equicapita, nor shall it be deemed to violate or give rise to any duty or obligation of the Service Provider to Equicapita.

The Services Agreement does not limit or restrict in any way (a) the Service Provider, (b) any of its directors, officers, securityholders or employees, or (c) any affiliate of any entity or person referred to in (a) or (b), from engaging in other business activities or sponsoring or providing services to third parties that compete directly or indirectly with Equicapita.

### **2.7.6 Summary of Distribution Reinvestment Plan**

The Trust has adopted a DRIP that will allow eligible holders of Preferred Units of the Trust to elect to have their cash distributions reinvested in additional Preferred Units of the Trust of the same class or series on the distribution payment date at a purchase price per Preferred Unit of the Trust to be determined by the Administrator with reference to the net asset value of the Partnership. All holders of Preferred Units of the Trust resident in Canada are eligible to participate in the DRIP. Holders of Preferred Units of the Trust who do not enroll in the DRIP will receive their regular cash distributions. The Trust reserves the right to limit the amount of new equity available under the DRIP on any particular distribution payment date. Accordingly, participation may be prorated in certain circumstances. In the event of proration, or if for any other reason all or a portion of the distributions cannot be reinvested under the DRIP, holders of Preferred Units of the Trust enrolled in the DRIP will receive their regular cash distributions.

All Preferred Units of the Trust acquired under the DRIP on the reinvestment of cash distributions will be issued from treasury of the Trust on the applicable distribution payment date. No commissions, service charges or brokerage fees will be payable in connection with the purchase of Preferred Units of the Trust from treasury under the DRIP. Participation in the DRIP does not relieve holders of Preferred Units of the Trust of any liability for any income or other taxes that may be payable on or in respect of the distributions that are reinvested for their account under the DRIP.

Cash distributions that are reinvested under the DRIP will be used by the Trust to purchase additional Preferred Units of the LP.

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

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

## **2.8 Legal Proceedings**

In the normal course of the Business, Investco and its affiliates may become involved in various claims and litigation. The final outcome of any claim cannot be predicted, nor can Investco definitively estimate the amount of loss, or range of loss, if any, that may result from any proceedings.

### ITEM 3 - COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES

#### 3.1 Compensation and Securities Held

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

Full Legal Name and Place of Residence or Jurisdiction of Organization	Positions Held and Date of Obtaining that Position	Compensation Paid by the Trust or Related Party in the Most Recently Completed Financial Year and the Compensation Expected to be Paid in the Current Financial Year	Number, Type and Percentage of Securities of the Trust held after Completion of Offering
Stephen Johnston Calgary, Alberta	Trustee since April 23, 2013  Director of the Administrator/General Partner since April 22, 2013	See Note 1 and 2	152,345 Preferred Units of the Trust (0.09%) <sup>(3)</sup> 2,347,653 Preferred LP Units of the Partnership (1.12%) <sup>(3)</sup> 1 Common Trust Unit (33%) <sup>(3)</sup>
Michael Cook Calgary, Alberta	Trustee since April 23, 2013  Director of the Administrator/General Partner since April 22, 2013	See Note 1 and 2	356,161 Preferred Units of the Trust (0.21%) <sup>(4)</sup> 2,145,838 Preferred LP Units of the Partnership (1.02%) <sup>(4)</sup> 1 Common Trust Unit (33%) <sup>(4)</sup>
Matthew Barr Calgary, Alberta <sup>(5)</sup>	Trustee since March 9, 2021  Director of the Administrator/General Partner since March 9, 2021	2020: \$287,000 <sup>(6)</sup> 2021: \$306,000 <sup>(6)</sup> See also Note 2	191,832 Preferred Units of the Trust (0.11%) 1 Common Trust Unit (33%)

**Notes:**

- (1) Effective upon the completion of the Extension on March 22, 2019, Messrs. Johnston and Cook ceased receiving a salary from Investco.
- (2) Messrs. Johnston, Cook and Barr beneficially own, or exercise control or direction over (or are beneficiaries of discretionary trusts that beneficially own, or exercise control or direction over), directly or indirectly, all of the securities of the Service Provider and a majority of the securities of the Special Limited Partner. The Service Provider is entitled to the Management Fee pursuant to the Services Agreement. See Item 2.7.5 - *Services Agreement - Fees and Expenses*. The Special Limited Partner is entitled to the Carried Interest pursuant to the LP Agreement. See Item 5.1 - *Terms of Securities - Distributions*.
- (3) Mr. Johnston is a beneficiary of a discretionary trust that beneficially owns, or exercises control or direction over, directly or indirectly, these units.
- (4) Mr. Cook is a beneficiary of a discretionary trust that beneficially owns, or exercises control or direction over, directly or indirectly, these units.
- (5) On March 9, 2021, Matthew Barr acquired the Common Trust Unit and certain of the securities of the Service Provider and the Special Limited Partner previously held by a discretionary trust, of which Greg Tooth is a beneficiary. Upon such acquisition, Mr. Tooth resigned from his positions as a Trustee and a director of the Administrator/General Partner and Mr. Barr was elected/appointed to such positions.
- (6) Mr. Barr's salary is paid by Investco.

#### 3.2 Management Experience

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

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
Stephen Johnston	Stephen has over 25 years' experience as a fund manager from the debt and private equity perspectives. As a senior fund manager at Société Générale Asset Management UK Stephen managed private equity funds investing across all sectors in the emerging markets of the former Soviet Union, Eastern Europe, the Baltics and the Middle East. Stephen has a BSc. (1987) and a LLB from the University of Alberta (1990) and an MBA (1994) from the London Business School.



Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
<b>Michael Cook</b>	Michael has over 20 years' experience working with SME businesses in many capacities (general business advisory, executive management, sell side advisory, buy side private equity and at the board of director level) over a broad range of industries. Michael has worked with SME businesses to improve operations, implement financial controls, introduce benchmarking, and to focus on key drivers to increase business value. Michael is a CA (1999) and CBV (2002) in addition to holding a BCom (1993) from the University of Manitoba.
<b>Matthew Barr</b>	Matt has a strong business and operations track record. He is a practitioner, as well as theorist, in transformations and culture development through Six Sigma and lean methodologies and has demonstrated these skills across many organizations and industries. He has a Masters of Business from Kettering University, a Bachelor of Operations from University of Western Sydney, a purchasing diploma from Fanshawe College, an Executive Leadership certificate from Cornell University and a Lean Six Sigma certification from Villanova University.

### 3.3 Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

During the last 10 years preceding the date hereof, with respect to any Trustee or control person of the Trust and director, executive officer or control person of the Administrator, there has been: (i) no penalty or other sanction imposed by a court relating to a contravention of securities legislation; (ii) no penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation; and (iii) no order restricting trading in securities, not including an order that was in effect for less than 30 days; (iv) no declaration of bankruptcy; (v) no voluntary assignment in bankruptcy; (vi) no proposal under bankruptcy or insolvency legislation; and (vii) no proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to holder assets.

With respect to any Trustee or control person of the Trust and director, executive officer or control person of the Administrator, none have ever pled guilty to or been found guilty of: (i) summary conviction of indictable offence under the *Criminal Code* (Canada); (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America; or (iv) an offence under the criminal legislation of any other foreign jurisdictions.

### 3.4 Certain Loans

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

The Partnership is indebted to J2 Holdings Ltd. and Lexbury Holdings Ltd. See Item 4.2 - *Indebtedness - Term Promissory Notes*.

## ITEM 4 - CAPITAL STRUCTURE

### 4.1 Securities Except for Debt

#### 4.1.1 Trust Securities Except for Debt

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as at March 31, 2021	Minimum Number Outstanding After Minimum Offering <sup>(1)</sup>	Maximum Number Outstanding After \$30,000,000 Offering <sup>(2)</sup>
Common Trust Units <sup>(3)</sup>	Unlimited	\$1.00	3	3	3
Preferred Trust Units <sup>(4)</sup>	Unlimited	See Note 5	62,857,336	62,857,336	62,857,336
Preferred B Trust Units <sup>(4)</sup>	Unlimited	See Note 5	43,362,829	43,362,829	43,362,829
Preferred B Trust Units, Series A <sup>(4)</sup>	Unlimited	See Note 5	0	0	0
Preferred B Trust Units, Series F <sup>(4)</sup>	Unlimited	See Note 5	3,152,585	3,152,585	3,152,585
Preferred C Trust Units <sup>(4)</sup>	Unlimited	See Note 5	55,127,771	55,127,771	55,127,771
Preferred C Trust Units, Series A <sup>(4)</sup>	Unlimited	See Note 5	0	0	30,000,000 <sup>(6)</sup>
Preferred C Trust Units, Series F <sup>(4)</sup>	Unlimited	See Note 5	5,818,155	5,818,155	5,818,155 <sup>(6)</sup>
Preferred D Trust Units <sup>(4)</sup>	Unlimited	See Note 5	1,989,201	1,989,201	1,989,201
Preferred E Trust Units <sup>(4)</sup>	Unlimited	See Note 5	0	0	0

**Notes:**

- (1) There is no minimum amount to be raised pursuant to this Offering.
- (2) Although there is no maximum amount to be raised pursuant to this Offering, this number assumes an Offering of \$30,000,000.
- (3) See Item 2.7.1 - *Declaration of Trust* for the terms of the Common Trust Units.
- (4) See Item 2.7.1 - *Declaration of Trust* and Item 5.1 - *Terms of Securities* for the terms of the Preferred Units of the Trust.
- (5) The price Preferred Trust Unit will be determined with reference to the net asset value of the Partnership.
- (6) Assuming an Offering of \$30,000,000 of Preferred C Trust Units, Series A, at the price of \$1.00 per Preferred C Trust Unit, Series A.

**4.1.2 Partnership Securities Except for Debt**

Description of Security	Number Authorized to be issued	Price per Security	Number Outstanding as at March 31, 2021	Minimum Number outstanding after Minimum Offering <sup>(1)</sup>	Maximum Number outstanding after \$30,000,000 Offering <sup>(2)</sup>
Common LP Units <sup>(3)</sup>	Unlimited	\$0.001	1	1	1
Preferred LP Units <sup>(3)</sup>	Unlimited	See Note 4	22,787,628	22,787,628	22,787,628
Preferred A1 LP Units <sup>(3)</sup>	Unlimited	See Note 4	62,857,336	62,857,336	62,857,336
Preferred B LP Units <sup>(3)</sup>	Unlimited	See Note 4	0	0	0
Preferred B1 LP Units <sup>(3)</sup>	Unlimited	See Note 4	43,362,829	43,362,829	43,362,829
Preferred B1 LP Units, Series A <sup>(3)</sup>	Unlimited	See Note 4	0	0	0
Preferred B1 LP Units, Series F <sup>(3)</sup>	Unlimited	See Note 4	3,152,585	3,152,585	3,152,585
Preferred C LP Units <sup>(3)</sup>	Unlimited	See Note 4	7,977,700	7,977,700	7,977,700
Preferred C1 LP Units <sup>(3)</sup>	Unlimited	See Note 4	55,127,771	55,127,771	55,127,771
Preferred C1 LP Units, Series A <sup>(3)</sup>	Unlimited	See Note 4	0	0	30,000,000 <sup>(5)</sup>
Preferred C1 LP Units, Series F <sup>(3)</sup>	Unlimited	See Note 4	12,923,650	12,923,650	12,923,650 <sup>(5)</sup>
Preferred D LP Units <sup>(3)</sup>	Unlimited	See Note 4	0	0	0
Preferred D1 LP Units <sup>(3)</sup>	Unlimited	See Note 4	1,989,201	1,989,201	1,989,201
Preferred E LP Units <sup>(3)</sup>	Unlimited	See Note 4	0	0	0
Preferred E1 LP Units <sup>(3)</sup>	Unlimited	See Note 4	0	0	0

**Notes:**

- (1) There is no minimum amount to be raised pursuant to this Offering.
- (2) Although there is no maximum amount to be raised pursuant to this Offering, this number assumes an Offering of \$30,000,000.
- (3) See Item 2.7.2 - *LP Agreement* and Item 5.1 - *Terms of Securities* for the terms of the Common LP Units and Preferred Units of the LP.
- (4) The price per Preferred LP Unit will be determined with reference to the net asset value of the Partnership.
- (5) Assuming an Offering of \$30,000,000 of Preferred C Trust Units, Series A at the price of \$1.00 per Preferred C Trust Unit, Series A, all the proceeds of which are to be invested in Preferred C1 LP Units, Series A. The price per Preferred C Trust Unit, Series A will be determined with reference to the net asset value the Partnership.

## 4.2 Indebtedness

As of the date hereof, Equicapita has the following indebtedness outstanding:

Description of Indebtedness	Interest Rate	Repayment Terms	Amount Outstanding as of March 31, 2021
Credit Facilities (secured)	Variable rates per availability type (prime rate, USBR, LIBOR, BA), plus variable margin	Revolving and Term Facilities	\$98,700,000 (\$8,000,000 due within 12 months)
Term Promissory Notes (unsecured, subordinated)	8% per annum	Term	\$1,964,023 (\$821,625 <sup>(1)</sup> due within 12 months)

**Note:**

(1) Includes principal repayment of \$618,480 and interest of \$203,145.

### Credit Facilities

The Credit Facilities established in favour of Investco on March 15, 2019 consists of a \$94,000,000 revolving facility, a \$32,000,000 term facility (the "**Term Facility**") and a \$5,000,000 operating facility. The Credit Facilities also include a \$1,500,000 credit card facility. The Credit Facilities are available to finance (a) general corporate purposes of Investco and the Guarantors, (b) permitted acquisitions, and (c) working capital. Investco may, by request and with the consent of the lenders, increase the Credit Facilities up to an aggregate amount equal to \$160,000,000. As at March 31, 2021, there was approximately \$98.7 million drawn under the Credit Facilities.

The Credit Facilities are available by way of prime-based loans, U.S. base rate loans, LIBOR loans, bankers' acceptances, letters of credit and a corporate credit card and any amounts outstanding by way of loans, bankers acceptances and letters of credit reduces the amount available under the Credit Facilities. However, with the exception of the Term Facility, Investco is permitted to repay, reborrow, and, subject to certain customary limitations, convert between the types of borrowings for the duration of the Credit Facilities. Investco is required to make quarterly repayments of the outstanding principal of the Term Facility. In response to COVID-19, the lenders waived the requirement that Investco make the principal repayment that was required to be made on March 31, 2020. The maturity date of the Credit Facilities is April 30, 2022 and may be extended with the consent of the lenders. The commitments of lenders that do not consent to an extension may, if proposed by Investco and at the election of lenders that consent to such an extension, be assigned in whole or in part to such extending lenders.

The Credit Facilities are secured by all of the assets of Investco and the Guarantors (subject to certain customary exclusions), and guaranteed by the Guarantors. The credit agreement pursuant to which the Credit Facilities are provided includes customary positive and negative covenants, including limitations on changes to the nature of the business of Investco and each Guarantor, limitations on liens, dispositions, amalgamations, hedging, liquidations, dissolutions, accumulation of excess cash and the giving of financial assistance. Subject to certain customary exclusions, Investco and each Guarantor (other than the Partnership and the NR Partnership) are also prohibited from transferring their ownership interests in any other Guarantor, or issuing equity interests, unless the transferee of such ownership interests has provided security over such ownership interests and all of its other material assets to the lenders under the Credit Facilities.

Under the Credit Facilities, Investco must maintain certain financial ratios, including: (i) a ratio of net funded debt to EBITDA of no greater than 5.00:1.00 at the end of the fiscal quarters ended December 31, 2020 and March 31, 2021, 4.50:1.00 at the end of the fiscal quarter ended June 30, 2021, and 3.50:1.00 at the end of each fiscal quarter thereafter; (ii) a ratio of adjusted cash flow to fixed charges of not less than 1.00:1.00 at the end of each fiscal quarter; and (iii) a ratio of adjusted cash flow to interest expense of at least 1.15:1.00, tested at the end of each fiscal quarter. The above noted net funded debt to EBITDA ratios were made effective by the third amending agreement to the Credit Facilities dated July 24, 2020. Prior to agreement on the above noted net funded debt to EBITDA ratios, the lenders waived the minimum ratio of net funded debt to EBITDA for the fiscal quarter ended March 31, 2020. Investco was in compliance with such ratios, effective as at March 31, 2021.

Loans under the Credit Facilities bear interest on a variable floating rate determined by reference to a base rate (prime, USBR, LIBOR, CDOR) plus an applicable margin ranging from 50 bps to 525 bps based on Investco's net funded debt to EBITDA ratio. As at the date hereof, the applicable margin (excluding, for certainty, the above noted base rates) is 325 bps on prime and USBR Loans, and 425 bps on LIBOR loans, bankers' acceptances, and financial letters of credit.

In addition, the Credit Facilities require that on or prior to June 30, 2021, Investco receives aggregate net cash proceeds of not less than \$10,000,000 from the issuance by the Partnership or the Trust (or both) of equity securities. As of the date of this Offering Memorandum, Equicapita has satisfied such requirements.

Lastly, as a result of COVID-19, Investco agreed with the lenders to the Credit Facilities to reduce the Management Fee by 15% effective for the period between April 1, 2020 and December 31, 2020. Although such agreement between Investco and the lenders expired, the Service Provider voluntarily maintained such reduction until March 31, 2021.

A failure to comply with any of the covenants could result in an event of default which, if not cured or waived, would permit the administrative agent or the lenders to cancel all credit availability and demand repayment of the Credit Facilities in full. Compliance with the terms of the covenants under the credit agreement could adversely impact the free cash flow of Investco. See Item 8 - *Risk Factors - Risks Pertaining to the Business - Debt Related Risks*.

#### **Term Promissory Notes**

As at March 31, 2021, the Partnership is indebted to J2 Holdings Ltd., Lexbury Holdings Ltd. and Tooth Holdings Ltd. for a principal amount equal to \$127,456.92, \$334,833.23, and \$1,551,409.01, respectively, pursuant to promissory notes issued by the Partnership. The promissory notes are unsecured, subordinated to the Credit Facility, and bear interest at 8% per annum, payable monthly in arrears. Each such promissory note has a three year amortization and requires monthly payments of blended principal and interest. Such promissory notes were issued by the Partnership on March 9, 2021 in replacement of the then outstanding amounts of certain convertible demand promissory notes that were issued by the Partnership in connection with Extension. See Item 2.3 - *Development of the Business*. Stephen Johnston, Michael Cook and Greg Tooth are beneficiaries of discretionary trusts that beneficially own, or exercise control or direction over, directly or indirectly, all of the securities of J2 Holdings Ltd., Lexbury Holdings Ltd. and Tooth Holding Ltd., respectively.

#### **Additional Indebtedness**

Equicapita may incur additional indebtedness and such indebtedness may be secured by Equicapita's assets. Such additional indebtedness, if any, will be undertaken in the discretion of Equicapita and upon such terms and conditions as it determines appropriate or acceptable.

In the ordinary course of business, subject to the Credit Facilities, the Portfolio Companies may obtain credit facilities or incur additional indebtedness (including vendor take back financing in connection with the acquisition of such Portfolio Companies). Such additional indebtedness, if any, will be undertaken in the discretion of the Management and the management of the Portfolio Companies and upon such terms and conditions as they determine appropriate or acceptable. Equicapita may enter into guarantees on behalf of such Portfolio Companies in respect of such credit facilities or indebtedness. Under these arrangements, Equicapita would be required to make payments to third parties if the Portfolio Companies were to default on their related payment obligations.

#### **4.3 Prior Sales by the Trust**

The following table sets forth a description of the Preferred C Trust Units, Series A and Preferred C Trust Units, Series F issued within the past 12 months.

<b>Date of Issuance</b>	<b>Type of Security Issued</b>	<b>Number of Securities Issued</b>	<b>Price per Security</b>	<b>Total Funds Received</b>
December 2, 2020	Preferred C Trust Units - Series F	256,093	\$0.9516	\$243,698.10
January 29, 2021	Preferred C Trust Units - Series F	5,254,308	\$0.9516	\$4,999,999.49
January 29, 2021	Preferred B Trust Units Series F	3,152,585	\$0.9516	\$2,999,999.89
February 25, 2021	Preferred C Trust Units - Series F	240,192	\$0.9516	\$228,566.71
March 3, 2021	Preferred C Trust Units - Series F	15,018	\$0.9516	\$14,291.13
March 31, 2021	Preferred C Trust Units - Series F	52,544	\$0.9516	\$50,000.87
April 5, 2021	Preferred B Trust Units Series F	2,101,724	\$0.9516	\$2,000,001.56

#### 4.4 Prior Sales by the Partnership

The following table sets forth a description of the Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F issued within the past 12 months. The gross proceeds from this Offering from the issuance of Preferred C Trust Units, Series A and Preferred C Trust Units, Series F will be used by the Trust to invest in Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F, respectively.

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total Funds Received
October 29, 2020	Preferred C1 LP Units Series F	105,086	\$0.9516	\$99,999.84
October 31, 2020	Preferred C1 LP Units Series F	2,158,988 <sup>(1)</sup>	\$1.0000	\$2,158,988.00
December 2, 2020	Preferred C1 LP Units Series F	256,093	\$0.9516	\$243,698.10
December 16, 2020	Preferred C1 LP Units Series F	1,050,862	\$0.9516	\$1,000,000.28
January 29, 2021	Preferred C1 LP Units Series F	5,254,308	\$0.9516	\$4,999,999.49
January 29, 2021	Preferred B1 LP Units Series F	3,152,585	\$0.9516	\$2,999,999.89
February 25, 2021	Preferred C1 LP Units Series F	240,192	\$0.9516	\$228,566.71
March 3, 2021	Preferred C1 LP Units Series F	15,018	\$0.9516	\$14,291.13
March 9, 2021	Preferred C1 LP Units Series F	3,290,559 <sup>(2)</sup>	\$1.0000	\$3,290,559.00
March 31, 2021	Preferred C1 LP Units Series F	52,544	\$0.9516	\$50,000.87
April 5, 2021	Preferred B1 LP Units Series F	2,101,724	\$0.9516	\$2,000,001.56

**Notes:**

- (1) These units were issued to J2 Holdings Ltd. and Lexbury Holdings Ltd. in connection with the conversion of certain amounts of the convertible demand promissory notes held by each of J2 Holdings Ltd. and Lexbury Holdings Ltd.
- (2) These units were issued to J2 Holdings Ltd., Lexbury Holdings Ltd. and Tooth Holdings Ltd. in connection with the conversion of certain amounts of the convertible demand promissory notes held by each of J2 Holdings Ltd., Lexbury Holdings Ltd. and Tooth Holdings Ltd.

#### ITEM 5 - SECURITIES OFFERED

##### 5.1 Terms of Securities

The price per Offered Unit will be determined by the Administrator from time to time, and will be set forth in the subscription agreement(s) entered into between the Subscriber and the Trust, in each case. The price per Offered Unit will be determined with reference to the net asset value of the Partnership. Except with the consent of the Administrator, the minimum subscription is \$5,000. See Item 5.2 - *Subscription Procedure - Subscribing for Offered Units*.

Concurrent with or subsequent to this Offering of Offered Units, the Trust, the Partnership and any additional parallel investment entities (including the NR Partnership) may also offer additional securities (including Preferred Units of the Trust and/or Preferred Units of the LP), which may not have the same terms as the Offered Units.

The Trust, the Partnership and any additional parallel investment entities (including the NR Partnership) may, from time to time, negotiate with additional investors (such as institutional investors) the terms of purchase of a new class or series of Preferred Units of the Trust and/or Preferred Units of the LP, including the Management Fee, Preferred Return and the distributions to the Special Limited Partner.

##### Preferred Units of the Trust

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

## Voting Rights

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

- (a) to amend the rights, privileges, restrictions and conditions attaching to the Preferred Units of the Trust, including amendments to:
  - (i) remove or change rights to distributions in a manner materially prejudicial to Preferred Trust Unitholders;
  - (ii) add, remove or change, redemption rights in a manner materially prejudicial to Preferred Trust Unitholders;
  - (iii) reduce or remove a distribution preference or a liquidation preference; or
  - (iv) add, remove or change, in a manner materially prejudicial to Preferred Trust Unitholders, voting, transfer or pre-emptive rights, or rights to acquire other securities;
- (b) to carry out and give effect to any of the following actions if the resulting effect to the Preferred Trust Unitholders would be materially prejudicial thereto:
  - (i) effect an exchange, reclassification or cancellation of all or part of the Preferred Units of the Trust;
  - (ii) increase the rights or privileges of any Units having rights or privileges equal or superior to the Preferred Units of the Trust;
  - (iii) create a new class or series of units of the Trust equal or superior to the Preferred Units of the Trust;
  - (iv) make any class or series of Units having rights or privileges inferior to the Preferred Units of the Trust equal or superior to the Preferred Units of the Trust; or
  - (v) effect an exchange or create a right of exchange of all or part of the units of another class or series of Units into the Preferred Units of the Trust;

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

At all such meetings of Preferred Trust Unitholders, matters put forth at such meetings, to be approved, must be approved by Special Resolution of the Preferred Trust Unitholders, voting separately as a class. At all such meetings, each Preferred Trust Unitholder shall be entitled to one vote in respect of each Preferred Unit of the Trust held thereby.

## Distributions

The holders of the Preferred Units of the Trust shall be entitled to receive distributions out of the Distributable Cash on the following terms:

- (a) The Trustees, on behalf of the Trust, in respect of each Distribution Period, shall declare payable to holders of each class or series of Preferred Units of the Trust of record as at the close of business on the Distribution Record Date for such Distribution Period, all, any part, or none of the Distributable Cash in respect of such class or series of Preferred Units of the Trust for such Distribution Period.
- (b) Each Preferred Unit of the Trust issued and outstanding on the Distribution Record Date for a particular Distribution Period shall be entitled, without preference or priority, to the Distribution Per Preferred Unit of the Trust of such class or series of Preferred Units of the Trust. The share of such Distribution Amount in respect of a class or series of Preferred Units of the Trust distributable to a particular holder of Preferred Units of the Trust shall be an amount equal to the Distribution Per Preferred Unit of the Trust multiplied by the number of Preferred Units of the Trust owned of record by such holder of Preferred Units of the Trust on such Distribution Record Date.
- (c) In the event that a Preferred Unit of the Trust was not issued and outstanding on each day within such Distribution Period then the Distribution Amount in respect of such Preferred Unit of the Trust shall be adjusted to be the product obtained when the Distribution Amount is multiplied by the quotient obtained when (i) the number of days in the Distribution Period during which such Preferred Unit of the Trust was issued and outstanding, is divided by (ii) the total number of days in the Distribution Period, and such amount shall be payable as the distribution in respect of such Preferred Unit of the Trust. Such adjustment calculation shall be made in respect of each Preferred Unit of the Trust which was not issued and outstanding on each day within the Distribution Period.



- (d) Notwithstanding the above, when determining the Distribution Per Preferred Unit of the Trust, the Trustees may make any variation or adjustment so as to ensure where possible that Preferred Trust Unitholders are treated equitably and fairly taking into account such considerations as the Trustees, in their discretion, acting reasonably and in good faith, deem appropriate in the circumstances and determine to be equitable and fair (including for greater certainty, the distributions from the Partnership).

Each class or series of Preferred Units of the Trust is invested in the corresponding class or series of Preferred Units of the LP shown adjacent to such class or series of Preferred Units of the Trust in the table below. The Distributable Cash of each class or series of Preferred Units of the Trust is entirely dependent on the class or series of Preferred Units of the LP in which such class or series of Preferred Units of the Trust invests.

Class or Series of Preferred Unit of the Trust	Corresponding Class or Series of Preferred Unit of the LP
Preferred Trust Units	Preferred A1 LP Units
Preferred B Trust Units	Preferred B1 LP Units
Preferred B Trust Units, Series A	Preferred B1 LP Units, Series A
Preferred B Trust Units, Series F	Preferred B1 LP Units, Series F
Preferred C Trust Units	Preferred C1 LP Units
Preferred C Trust Units, Series A	Preferred C1 LP Units, Series A
Preferred C Trust Units, Series F	Preferred C1 LP Units, Series F
Preferred D Trust Units	Preferred D1 LP Units
Preferred E Trust Units	Preferred E1 LP Units

**The ability of the Trust to make cash distributions on the Preferred Units of the Trust is dependent upon the Trust receiving payment from the Partnership in respect of the Preferred Units of the LP held by the Trust. If the Trust does not receive payment from the Partnership in respect of the Preferred Units of the LP held by it, the Trust will likely not have sufficient cash flow to make cash distributions to Unitholders.**

Preferred LP Unitholders shall be entitled to receive distributions if, as and when declared by the General Partner. The General Partner, in respect of any LP Distribution Period, may in its discretion declare payable to Preferred LP Unitholders of record as at the close of business on the LP Distribution Record Date for such LP Distribution Period, the LP Distribution Amount.

If the LP Distribution Amount being declared arises from interest paid to the Partnership from Investco, then the General Partner will, to the extent possible based on the amount of such LP Distribution Amount, pay to the holder of each Preferred Unit of the LP an amount equal to the outstanding and accrued Preferred Return (being 8% on an amount equal to \$1.00 less the Return of Capital with respect to such unit in respect of the Preferred C1 LP Units, Series A and Preferred C1 LP Units, Series F). If the LP Distribution Amount is not sufficient to pay all outstanding and accrued Preferred Returns on all Preferred Units of the LP, then each Preferred Unit of the LP shall receive an amount equal to such Preferred Unit of the LP's *pro rata* portion of the LP Distribution Amount based on the outstanding and accrued Preferred Return owed to such Preferred Unit of the LP relative to the aggregate outstanding and accrued Preferred Returns owed to all Preferred Units of the LP.

If the LP Distribution Amount being declared arises from the sale of assets of the Partnership or Investco, or is otherwise in respect of the liquidation, dissolution or winding up of the Partnership, then the LP Distribution Amount will be distributed in the following amounts and order of priority:

- (a) first, 100% of the Preferred LP Unitholders on a *pro rata* basis until the Preferred LP Unitholders have received aggregate distributions in an amount equal to \$1.00 with respect to each Preferred Unit of the LP (excluding, for greater certainty, any Preferred Return distributions received by such holder with respect to such Preferred Unit of the LP but including, for greater certainty, any other previous distributions received by the holder with respect to such Preferred Unit of the LP pursuant to this paragraph) (the distributions pursuant to this section are referred to as the "**Return of Capital**");
- (b) second, 100% to the Preferred LP Unitholders until the holder of each Preferred Unit of the LP has received an amount equal to the outstanding and accrued Preferred Return with respect to such Preferred Unit of the LP (including for greater certainty, any other previous Preferred Return distributions received by the holder with respect to such Preferred Unit of the LP). If the LP Distribution Amount is not sufficient to pay all outstanding and accrued Preferred Returns on all Preferred Units of the LP, then each Preferred Unit of the LP shall receive an amount equal to such Preferred Unit of the LP's *pro rata* portion of the LP Distribution Amount based on the outstanding and accrued Preferred Return owed to such Preferred Unit of the LP relative to the aggregate outstanding and accrued Preferred Returns owed to all Preferred Units of the LP; and

- (c) thereafter, 20% to the Special Limited Partner and 80% to the Preferred LP Unitholders, with amounts distributed to the Special Limited Partner pursuant to this paragraph being the "**Carried Interest**".

The distributions per unit payable to Preferred LP Unitholders in respect of an LP Distribution Period shall be paid in cash on or before the LP Distribution Payment Date which immediately follows an LP Distribution Record Date attributable to such LP Distribution Period, provided that if the LP Distribution Record Date is on or after October 1 in any calendar year then the distributions payable to Preferred LP Unitholders in respect of such distributions for the LP Distribution Period pertaining to such LP Distribution Record Date shall be due and payable as of 5:00 p.m. (Calgary time) on December 31 in such year and shall be paid forthwith.

The Special Limited Partner may, in its sole discretion, agree with a Limited Partner to waive all or a portion of the Carried Interest attributable to some or all of the Preferred Units of the LP held by such Limited Partner. The Special Limited Partner may pay all or a portion of any Carried Interest it is allocated to third parties, including registered dealers whose clients hold Preferred Units of the LP. Any such arrangements will be made in accordance with applicable law. Such payments may be modified or discontinued by the Special Limited Partner at any time.

#### **Distribution Reinvestment Plan**

The Trust has adopted a DRIP that will allow eligible holders of Preferred Units of the Trust to elect to have their cash distributions reinvested in additional Preferred Units of the Trust of the same class or series on the distribution payment date at a purchase price per Preferred Unit of the Trust to be determined by the Administrator with reference to the net asset value of the Partnership. See Item 2.7.6 - *Summary of Distribution Reinvestment Plan*.

#### **Redemption and Retraction Rights**

*Right of the Preferred Trust Unitholder* - Each Preferred Trust Unitholder shall be entitled to require the Trust to redeem at any time and from time to time at the demand of the holder, in accordance with the terms and conditions set forth in the Declaration of Trust, all or any part of the Preferred Units of the Trust registered in the name of the Preferred Trust Unitholder. There are certain procedural requirements, set forth in the Declaration of Trust, which must be adhered to by the Preferred Trust Unitholder in connection with any redemption of Preferred Units of the Trust. Subject to an aggregate maximum of \$10,000 in cash in respect of all redemptions in any calendar month as described below, the Trust shall pay the redemption price in respect of Units accepted for redemption within 45 days after receipt of the notice of redemption.

The redemption price per Preferred Unit of the Trust to be received on redemption by the holder is equal to the redemption price of the Corresponding LP Unit, which is equal to the lesser of: (i) the Market Value of such Corresponding LP Unit as at the date upon which such Corresponding LP Unit was tendered for redemption; and (ii) \$1.00 minus any amount distributed in respect of such Corresponding LP Unit in respect of Return of Capital; in each case, multiplied by 90%. See Item 2.7.2 - *LP Agreement - Attributes of the LP Units - Redemption Rights*.

In the case of a redemption of Preferred Units of the Trust by a Preferred Trust Unitholder, the payment of the redemption price shall be paid by cash, provided that the Trust shall only be obligated to pay up to \$10,000 in cash in respect of redemptions in any calendar month, unless the Trustees determines a greater cash amount. Such cash amount shall be paid *pro rata* to redeeming Preferred Trust Unitholders. The balance of the redemption price for Preferred Units of the Trust will be paid through the issuance of Redemption Notes and/or distribution, *in specie*, of Trust Property.

Upon the tender of Preferred Units of the Trust for redemption, the Unitholder shall thereafter cease to have any rights with respect to the Preferred Units of the Trust tendered for redemption (including no right to receive distributions in respect of Units where such distributions are declared payable to Unitholders of record on a date which is on or subsequent to the date upon which such Preferred Units of the Trust were tendered for redemption), other than to receive the redemption price, and the right to receive any distributions thereon which have been declared payable to Unitholders of record on a date which is prior to the date upon which such Preferred Units of the Trust have been tendered for redemption.

*Right of the Trust* - The Trust is entitled at any time and from time to time, redeem all or any part of the issued and outstanding Preferred Units of the Trust. There are certain procedural requirements, set forth in the Declaration of Trust, which must be adhered to by the Trust in connection with any redemption of Preferred Units of the Trust. The Trust shall pay the redemption price in respect of Preferred Units of the Trust to be redeemed within 45 days after the date specified for redemption by the Trust.

The redemption price per Preferred Unit of the Trust to be received on redemption by the Trust is equal to the redemption price of the Corresponding LP Unit, which is equal to the Market Value of such Corresponding LP Unit as at the date that the notice of redemption was provided. See Item 2.7.2 - *LP Agreement - Attributes of the LP Units - Redemption Rights*.

In the case of a redemption of Preferred Units of the Trust by the Trust, the payment of the redemption price shall be paid by any combination of cash, the issuance of Redemption Notes and/or distribution, *in specie*, of Trust Property, provided that any cash amount shall be paid *pro rata* to redeeming Preferred Trust Unitholders.

From and after the date specified for redemption by the Trust, such Units being redeemed shall Preferred Units of the Trust being redeemed shall cease to be entitled to distributions or any other participation in the assets of the Trust and the holders thereof shall not be entitled to exercise any of their other rights as Unitholders in respect thereof.

### **Participation upon Liquidation or Winding Up**

In the event of the liquidation, dissolution or winding up of the Trust or other distribution of assets of the Trust among its Unitholders for the purpose of winding up its affairs, the holders of the Preferred Units of the Trust shall, subject to the rights of the holders of any other class or series of Units entitled to receive assets of the Trust upon such a distribution in priority to, or concurrently with, the holders of the Preferred Units of the Trust, be entitled to participate in the distribution. Each class or series of Preferred Units of the Trust shall be entitled to a portion of such distribution determined in the same manner as set forth in the distribution provisions of the Declaration of Trust. See Item 5.1 - *Terms of Securities - Distributions* above.

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

## **5.2 Subscription Procedure**

### **Subscribing for Offered Units**

Closings will occur from time to time at the discretion of the Administrator. The Offered Units are being offered using the order entry system Fundserv. Subscriptions for Offered Units may be made from a distributor on the Fundserv network under the Manufacturer Code to QIFM "QWE" and the following order codes:

Preferred C Units, Series A	"QWE844"
Preferred C Units, Series F	"QWE845"

An investor who wishes to subscribe for Offered Units must:

- (a) complete and execute the subscription form (in such form as the Administrator may approve from time to time), including all applicable Schedules thereto;
- (b) pay the aggregate subscription price set out in the subscription form by: (i) certified cheque or bank draft dated the date of the subscription made payable to "Equicapita Income Trust" (or as the Administrator otherwise directs); or (ii) by wire transferred funds in an amount equal to the aggregate subscription price through the Fundserv network; and
- (c) complete and execute any other documents deemed necessary by the Administrator to comply with applicable securities laws;

and deliver the foregoing to the Trust at #2210, 8561 – 8A Avenue S.W., Calgary, Alberta, T3H 0V5 or such other location which the Administrator may specify. Sales commissions, if any, shall be paid separately by the Subscriber to its dealer.

In respect of a subscription for Offered Units, subject to the exercise of discretion by the Administrator, the minimum individual subscription is \$5,000. Cheques will be held until at least midnight on the second (2nd) business day after the Subscriber signs the subscription agreement. Thereafter the funds will be deposited and held in escrow by the Trust pending Closing of the sale of Offered Units to the Subscribers. Closings will occur at such times and on such dates as may be determined by the Administrator from time to time. Interest will not be payable on a Subscriber's subscription funds held in escrow pending Closing and interest earned, if any, will be paid to and retained by the Trust. A Subscriber will become a Unitholder following the acceptance of a subscription by the Administrator. Subscriptions will be received subject to rejection or allotment in whole or in part and the Trust reserves the right to close the subscription books at any time and without notice. The Administrator has the right, in its sole and absolute discretion, to reject any subscription for Offered Units, in whole or in part, for any reason. If subscriptions are not received and accepted and certain other conditions have not been satisfied or waived on or before the date selected by the Administrator (in its sole discretion), subscriptions and subscription funds will be returned to Subscribers without interest or deduction.

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

**None of Equicapita, the Trustees and the directors and officers of the Administrator, General Partner and Investco are responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Offered Units having regard to any such investment needs and objectives of the potential investor.**

## Representation of Qualification to Purchase

By executing a subscription agreement for Offered Units, each Subscriber will make the representation that the Subscriber meets the conditions of the applicable prospectus exemption in purchasing Offered Units pursuant to this Offering and is thus entitled under such prospectus exemption to purchase such securities without the benefit of a prospectus qualified under applicable securities laws. Under no circumstances will the Administrator accept a subscription for Offered Units if its distribution cannot be made in reliance on a prospectus exemption. Persons resident in the province of Québec are not permitted to rely on the offering memorandum exemption contained in Section 2.9 of NI 45-106. In the province of Québec, the Offering is being conducted pursuant to the exemptions from the prospectus requirements afforded by Section 2.3 of NI 45-106 and to those persons Offered Units may otherwise be sold in accordance with applicable securities laws.

## Acceptance of Subscription Form

The acceptance by the Administrator on behalf of the Trust of a Subscriber's subscription for Offered Units, whether in whole or in part, constitutes an agreement between the Subscriber and the Trust upon the terms and conditions set out in such subscription agreement whereby the Subscriber, among other things: (i) acknowledges that he or she, upon purchase of Offered Units, is bound by the terms of the Declaration of Trust; (ii) makes various representations and warranties as more particularly set forth in the subscription agreement; and (iii) irrevocably nominates, constitutes and appoints the Trustees as his or her true and lawful attorney with the full power and authority as set out in the subscription agreement and the Declaration of Trust.

## ITEM 6 - CERTAIN INCOME TAX CONSEQUENCES AND EXEMPT PLAN ELIGIBILITY

### General

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

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

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

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

**This summary is of a general nature only and is not intended to be relied on as legal or tax advice or representations to any particular Unitholder. Unitholders and prospective purchasers of Units are urged to seek independent tax advice in respect of the consequences to them of an investment in Units having regard to their own particular circumstances.**

### *Status of the Trust*

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

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

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

### *Taxation of the Trust*

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

The Trust generally intends to deduct, in computing its income, the full amount available for deduction in each taxation year to the extent of its taxable income for the year otherwise determined and to make payable to Unitholders an amount equal to its remaining taxable income. Counsel has been advised by the Trust that it is expected that the Trust will not be liable for any material amount of tax under the Income Tax Act; however, Counsel can provide no assurance in this regard.

Losses realized by the Trust in a taxation year cannot be allocated to Unitholders but may be deducted by the Trust in future years, subject to the detailed rules in the Income Tax Act.

### *Computation of Partnership Income*

The Partnership is not itself liable for income tax, however, the income or loss of the Partnership will be computed for each fiscal period as if the Partnership were a separate person resident in Canada. The fiscal period of the Partnership ends on December 31.

The income or loss of the Partnership for each fiscal period will be allocated among those persons who are Limited Partners, including the Trust, at the end of the Partnership's fiscal period, in accordance with the provisions of the LP Agreement.

In general, a Limited Partner's share of any income or loss of the Partnership from a particular source will retain its character and any provisions of the Income Tax Act applicable to that type of income will also apply to each Limited Partner.

### **Taxation of Investco**

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

### **Taxation of Unitholders**

#### *Trust Distributions*

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

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

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

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

#### *Disposition of Units*

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



### *Redemption of Units*

The redemption of Units in consideration for cash, Trust Property or Redemption Notes, as the case may be, will be a disposition of such Units for proceeds equal to the amount of such cash or the fair market value of such Trust Property or Redemption Notes, less any portion thereof that is considered to be a distribution of the income of the Trust. Redeeming Unitholders will consequently realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (less any portion thereof that is considered a distribution of the Trust's income) is greater (or less) than the Unitholder's aggregate adjusted cost base of the Units so redeemed and any reasonable costs of disposition.

If a Unitholder redeems Units, the Trust may distribute income or capital gains realized by the Trust in the year to the Unitholder as partial payment of the redemption price. Any income or capital gains so distributed must be included in the calculation of the Unitholder's income in the manner described above. The Trust will generally not be entitled to deduct in computing its income (i) the portion of a capital gain of the Trust distributed to a Unitholder on a redemption of Units that is greater than the Unitholder's accrued gain, and (ii) any income distributed to a Unitholder on a redemption of Units, where, in each case, the Unitholders' proceeds of disposition are reduced by the distribution.

### *Capital Gains and Capital Losses*

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

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

### *International Information Reporting Requirements*

Under the terms of the intergovernmental agreement between Canada and the U.S. (the "**Canada-U.S. IGA**") to provide for the implementation of the Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (or "**FATCA**"), and its implementing provisions under the Income Tax Act, the Trust will be treated as complying with FATCA and not subject to the 30% withholding tax if the Trust complies with the terms of the Canada-U.S. IGA. Under the terms of the Canada-U.S. IGA, the Trust will be required to identify and report information, including certain financial information, on accounts held by investors that fail to provide information to their financial advisor or dealer related to their citizenship and residency for tax purposes and/or investors that are identified as, or in the case of certain entities as having one or more controlling persons who are U.S. persons owning, directly or indirectly, an interest in the Trust, to the CRA. The CRA will in turn provide such information to the U.S. Internal Revenue Service (the "**IRS**").

The Trust will endeavor to comply with the requirements imposed under the Canada-U.S. IGA and its implementing provision under the Income Tax Act. However, if the Trust cannot satisfy the applicable requirements under the Canada-U.S. IGA or its implementing provisions under the Income Tax Act and is unable to comply with the requirements under FATCA, the Trust may be subject to U.S. withholding tax on U.S. and certain non-U.S. source income and gross proceeds. The Trust may also be subject to the penalty provisions of the Income Tax Act. Any potential U.S. withholding taxes or penalties associated with such failure to comply would reduce the value of the Trust's assets.

In addition, to meet the objectives of the Organisation for Economic Co-operation and Development Common Reporting Standards (the "**CRS**"), the Trust is required under the Income Tax Act to identify to report to the CRA certain information (including residency details and financial information such as account balances) relating to investments held by Unitholders or by the "controlling persons" of certain entities who are resident in a country other than Canada or the United States. The information would then be available for sharing with CRS participating jurisdiction in which the securityholder resides for tax purposes under the provision and safeguards of the Multilateral Administrative Assistance in Tax Matters or the relevant bilateral tax treaty.

### *Eligibility for Investment by Exempt Plans*

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

Notwithstanding the foregoing, an annuitant under a RRSP or RRIF, the holder of a TFSA or RDSP, or the subscriber of a RESP, as the case may be, who holds Units will be subject to a penalty tax if the Units are a "prohibited investment" (as defined in the Income Tax Act) for the RRSP, RRIF, RDSP, RESP or TFSA, as the case may be. Units will generally not be a prohibited investment for an RRSP, TFSA,



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

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

#### ITEM 7 - SELLING AGENTS AND COMPENSATION PAID TO SELLERS AND FINDERS

The Trust will retain several non-exclusive securities dealers to effect sales of Offered Units. Where allowed by applicable securities legislation, dealers who distribute Offered Units may be paid a sales commission as set forth below:

- **Preferred C Trust Units, Series A:** Any sales commissions on Preferred C Trust Units, Series A are paid by the Subscriber to the dealer and are in addition to, and do not form part of, the purchase price of the Preferred C Trust Units, Series A. Sales commissions may be negotiated between the dealer and the Subscriber.
- **Preferred C Trust Units, Series F:** No sales commission.

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

Investco has agreed to reimburse the Trust and the Administrator for, or pay directly, all costs and expenses to be incurred by the Trust in connection with the Offering for funds invested in Preferred Units of the LP, and indirectly, in Investco. See Item 2.7.4 - *Reimbursement Agreement*.

#### ITEM 8 - RISK FACTORS

The Offering should be considered highly speculative due to the nature of Equicapita's business. An investment in Offered Units should only be made after consultation with independent qualified sources of investment, tax and legal advice. The directors, officers, trustees, employees and consultants of the Administrator and the Trust do not provide investment or tax advice. There is no established market for the Offered Units and none is expected to develop. Therefore, it may be difficult or impossible for a Subscriber to sell such securities.

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

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

##### Investment Risk

Risks that are specific to the Offered Units include the following:

**No Guaranteed Return or Distributions:** The recovery of an investment in Equicapita is at risk, and the anticipated return on such investment is based on many performance assumptions. There is no guarantee that an investment in Offered Units will earn any positive return in the short or long-term. While the Trust intends to make distributions to Unitholders out of Distributable Cash, no assurance can be given that such distributions, if made, will continue or that they won't be reduced or eliminated. A return on, or of, investment in Offered Units is dependent upon the success of Equicapita in generating sufficient earnings on the assets of Equicapita. As a result, there is no assurance or guarantee that Equicapita and, correspondingly, the purchasers of Offered Units pursuant to the Offering will earn a return on, or of, their investment. See Item 8 - *Risk Factors - Risks Pertaining to the Business*.

**Distributions:** Equicapita does not have a fixed obligation to make payments of distributions to Unitholders. Equicapita has the ability to reduce or suspend distributions if circumstances so warrant, such as the current suspension due to the impacts of COVID-19 on the Portfolio Companies. See Item 2.2.5 - *COVID-19*. The ability of the Trust to make cash distributions on the Offered Units (and the timing of the commencement of any distributions and actual amounts distributed, if any) is principally dependent upon the Trust receiving payment of distributions from the Partnership pursuant to the Preferred Units of the LP held by the Trust and will be affected by a number of factors, including working capital requirements of Equicapita and the Portfolio Companies, the profitability of carrying out the Business, acquisitions, and any restrictive covenants pursuant to the Credit Facilities and other third party debt financing arrangements. If the Business is unsuccessful, the Partnership will likely not have sufficient cash flow to make cash distributions to holders of Preferred Units of the LP (and as a result, the Trust will likely not have sufficient cash flow to make cash distributions to Unitholders); therefore, there is no certainty as to when or if the Trust or the Partnership will make distributions of cash to their respective unitholders. In such a circumstance, it is possible that the Trust will make non-cash distributions and accordingly a Unitholder's tax liability for a year arising from its status as a Preferred Trust Unitholder may exceed the amount of cash distributions received from the Trust by the Unitholders.

The Partnership may acquire and hold shares, debt or other securities of Investco from time to time. The ability of the Partnership to make cash distributions on LP Units is principally dependent upon the Partnership receiving payments from Investco pursuant to the securities of Investco acquired by the Partnership. If the Partnership does not receive payment from Investco pursuant to the securities of Investco held by it, the Partnership will likely not have sufficient cash flow to make cash distributions to LP Unitholders (and as a result, the Trust will likely not have sufficient cash flow to make cash distributions to holders of Offered Units).

**Definitive Agreements to Acquire Businesses and/or Investments Have Not Been Entered Into:** Future assets to be acquired by Equicapita with the proceeds of this Offering have not yet been finalized. The Trust will invest, via the purchase of Preferred Units of the LP, the proceeds of this Offering into the Partnership. However, Equicapita has not entered into definitive agreements, through Investco, to acquire the specific assets with such proceeds. Therefore, there can be no assurances that Investco will enter into terms favourable to it as at the time of closing of such acquisitions. Even if assets are identified and the acquisition of the same or an interest therein is determined to be in the best interest of Equicapita, Equicapita may not be able to finance the acquisition and additional funds may be required to complete the acquisition. If Equicapita is unable to identify and acquire suitable investments, its business, operating results and financial condition could be adversely affected. The Partnership will not have earnings to support payment of distributions to LP Unitholders (including the Trust) should the assets acquired prove not to be profitably productive.

**Distributions may Consist of Proceeds of Offerings:** Distributions to Preferred Trust Unitholders may consist, directly or indirectly, of the proceeds from the sale of securities by the Trust (including this Offering) and may also, in certain circumstances, exceed the cash flow of the Trust for any particular Distribution Period.

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

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

**No Minimum Offering Size:** There is no minimum offering size. There can be no assurance that any particular level of subscription by Subscribers or any level of proceeds under the Offering will be reached. The Trust may issue and sell Offered Units under the Offering from time to time until the Offering is otherwise terminated. There can be no assurance that the Offering will provide funding that is sufficient to permit Equicapita to acquire any interest in any Portfolio Company or to otherwise advance the Business of Equicapita, in whole or in part. Consequently, Equicapita's business development plans and prospects could be adversely affected, since fewer investments would be made.

**No Voting Rights:** The Offered Units are non-voting except in certain limited circumstances as set forth in the Declaration of Trust, which includes where there is a proposal to amend the rights, privileges, restrictions and conditions attaching to the Offered Units. Accordingly, Unitholders will have no ability to affect the governance or management of the Trust. See Item 5.1 - *Terms of Securities - Voting Rights*.

**Redemption of Preferred Units of the Trust:** In respect of redemptions of Offered Units by the holder, once the cash threshold of \$10,000 in any one month is exceeded, Preferred Trust Unitholders may receive from the Trust (in lieu of cash) Redemption Notes which may not be eligible under Exempt Plans.

**Substantial Redemption of Preferred Units of the Trust:** Preferred Trust Unitholders have the right to redeem their Preferred Units of the Trust upon the terms outlined in the Declaration of Trust and Preferred LP Unitholders have the right to redeem their Preferred Units of the LP upon the terms outlined in the LP Agreement. As the Trust will be the primary Preferred LP Unitholder, and the contributions of the Trust to the Partnership rely on the capital acquired by the issuance of Preferred Units of the Trust, a substantial redemption of Preferred Units of the Trust may lead to the Trust redeeming a substantial amount of Preferred Units of the LP. A substantial redemption of Preferred Units of the LP may adversely affect the available capital required by Equicapita to carry out the Business.

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

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

**U.S. Withholding Tax Risk:** Generally, FATCA imposes a 30% withholding tax on "withholdable payments" made to an investment entity, unless the investment entity enters into a FATCA agreement with the IRS (or is subject to an intergovernmental agreement as described below) to comply with certain information reporting and other requirements. Compliance with FATCA will in certain cases require an investment entity to obtain certain information from certain investors and (where applicable) their beneficial owners (including information regarding their identity, residency and citizenship) and to disclose such information, including account balances, and documentation to the IRS.

Under the terms of the Canada-U.S. IGA, and its implementing provisions under the Income Tax Act, the Trust will be treated as complying with FATCA and not subject to the 30% withholding tax if the Trust complies with the terms of the Canada-U.S. IGA. Under the terms of the Canada-U.S. IGA, the Trust will not have to enter into an individual FATCA agreement with the IRS but the Trust will be required to report information, including certain financial information, on accounts held by investors that fail to provide information to their financial advisor or dealer related to their citizenship and residency for tax purposes and/or investors that are identified as, or in the case of certain entities as having one or more controlling persons who are, U.S. persons owning, directly or indirectly, an interest in the Trust to the CRA. The CRA will in turn provide such information to the IRS under the existing provisions of the Canada-U.S. Income Tax Convention. The Canada-U.S. IGA sets out specific accounts that are exempt from being reported, including certain tax deferred plans. By investing in the Trust, the investor is deemed to consent to the Trust disclosing such information to the CRA. If the Trust is unable to comply with any of its obligations under the Canada-U.S. IGA, the imposition of the 30% U.S. withholding tax may affect the value of the Trust's assets and may result in reduced investment returns to Unitholders. It is possible that the administrative costs arising from compliance with FATCA and/or the Canada-U.S. IGA and future guidance may also cause an increase in the operating expenses of the Trust.

Withholdable payments include (i) certain U.S. source income (such as interest, dividends and other passive income) and (ii) gross proceeds from the sale or disposition of property that can produce U.S. source interest or dividends. The 30% withholding tax may also apply to any "foreign passthru payments" paid by an investment entity to certain investors. The scope of foreign passthru payments will be determined under the U.S. Treasury regulations that have yet to be issued.

The foregoing rules and requirements may be modified by future amendments of the Canada-U.S. IGA, and its implementation provisions under the Income Tax Act, future U.S. Treasury regulations, and other guidance.

**No Review of Offering Memorandum by Regulatory Authorities:** Subscribers will not have the benefit of a review of this Offering Memorandum, the Declaration of Trust, or any other documents in relation to the Offering by any regulatory authorities.

### **Acquisition Risk**

Risks that are specific to acquisitions, including the Acquisitions, include the following:

**Competitive Marketplace:** Equicapita will be competing for investment opportunities with other entities including banks, private equity funds, institutional investors, strategic investors, as well as the public equity markets. Many of the entities with which Equicapita competes may be substantially larger than Equicapita and may possess greater financial resources. As a result of this competition, there can be no assurance that Equicapita will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve its targeted rate of return or fully invest its capital contributions. In addition, if Equicapita makes only a limited number of investments, the aggregate returns realized by Equicapita could be adversely affected in a material manner by the unfavourable performance of even one such investment.

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

**Difficulty in Valuing the Acquisitions:** Management may value the investments of Equicapita from time to time at their fair market values. The valuation of investments is inherently highly subjective and imprecise and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. In establishing the value of Equicapita's investments, Management may also consult with accounting firms, investment banks and other third parties when needed, to assist with the valuation of Equicapita's investments. The value set by Management may not reflect the price at which Equicapita could dispose of its interests in a particular investment at any given time.

**Potential Undisclosed Liabilities Associated with Acquisitions:** There may be liabilities and contingencies that Equicapita does not discover in its due diligence prior to consummation of an acquisition for which Equicapita has to bear responsibility for and which could have a material adverse effect on the business, financial condition, liquidity and results of operation of Equicapita.

**Future Acquisitions:** Equicapita may undertake future acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on having the acquired assets perform as expected, successfully consolidating functions, retaining key employees and customer relationships, and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters and ultimately Equicapita may fail to realize anticipated benefits of other acquisitions.

**Continued Success of Acquisitions:** Equicapita's success depends in large part on whether the Portfolio Companies fulfill their obligations with clients and maintain client satisfaction. If the Portfolio Companies fail to satisfactorily perform their obligations, or make professional errors in the services that they provide, their clients could terminate contracts, including current master service agreements or purchase orders, exposing such Portfolio Companies to risk of loss or reduced profits, which in turn would have a negative effect on Equicapita's profits.

**Limited Information Regarding the Portfolio Companies:** There is generally little or no publicly available information about the businesses or assets in which Equicapita invests or will invest in, and Equicapita must rely on the diligence of its own employees and the consultants it hires to obtain the information necessary for their decision to invest in them. There can be no assurance that the diligence efforts of Equicapita will uncover all material information about the businesses that Equicapita will invest in or uncovered all material information about the Portfolio Companies that will be, are or were necessary for them to make a fully informed investment decision.

### **Entity Risk**

Risks that are specific to the Equicapita entities include the following:

**Achievement of Investment Objective:** There can be no assurance that Equicapita's investment strategies will be successful, that their investment objectives will be achieved or that the Trust will be able to make distributions. Equicapita and the business in which Equicapita invests could realize substantial losses.

**No Guarantee of Future Results:** The past investment performance of Equicapita and Management should not be construed as a guarantee or expectation of future results of any investment in the Trust.

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

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

**Risks upon Dispositions of Investments:** In connection with the disposition of an investment in a Portfolio Company, Equicapita may be required to make representations about the business and financial affairs of such investment typical of those made in connection with the sale of a business. It may also be required to indemnify the purchasers of such investment to the extent that any such representation turns out to be inaccurate. These arrangements may result in contingent liabilities of Equicapita, which might ultimately have to be funded by the Unitholders to the extent that such contingent liabilities exceed the reserves and other assets of Equicapita and such Unitholders have received prior distributions from Equicapita.

**Risks in Connection with a Liquidity Event:** The completion of a commercially appropriate liquidity event is subject to a number of risks, some of which are outside the control of Equicapita, including, without limitation, the market conditions and transaction opportunities available at the time. The form of any liquidity event would depend on the opportunities available at the time. Equicapita may not be able to implement a liquidity event under desirable terms, including that the consideration payable under a liquidity event is less than the fair market value of the Partnership Property. Equicapita may have to pursue a liquidity event that is not in the best interests of Unitholders.

**Operational Dependence:** Distributions to the Unitholders are dependent upon the ability of the Partnership and Investco to generate cash flow. The Trust is entirely dependent upon the operations and assets of the Partnership and Investco. The success of Equicapita will, to a large extent, depend on the good faith, experience, ability and judgment of Management to make appropriate decisions with respect to the operations of Equicapita. Investors must rely on the good faith, experience, ability and judgment of Management, and this investment would not be appropriate for those unwilling to do so.

Although Management believes that it will be able to replace key personnel within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the business, financial condition, liquidity and results of operations of Equicapita. Equicapita does not carry any key man insurance.

Other companies from time to time may operate some of the assets in which Equicapita has an interest. As a result, Equicapita has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Equicapita's financial



performance. Equicapita's return on assets operated by others therefore depends upon a number of factors that may be outside of Equicapita's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

**Potential Conflicts of Interest:** The General Partner is solely responsible for the administration, management and operation of the Partnership and its business. There may be situations in which conflicts of interest may arise between the Partnership and the General Partner or its directors and officers or their respective affiliates and associates. Under the LP Agreement, officers and directors of the General Partner are permitted to engage in (and it is anticipated that they will in the future engage in) activities that are the same as, or similar to, the activities of the Partnership. The directors and officers of the General Partner currently are directors and/or officers and/or controlling persons of other entities that are engaged in activities that are the same as, or similar to, the business and activities which are to be undertaken by the Partnership. Management of the General Partner will not devote their full time and attention to the affairs of the Partnership and, when acting on their own behalf and on behalf of others, may at times act in competition with the interests of the Partnership.

The LP Agreement provides that Management, as well as their respective affiliates and associates, are permitted to have business and other interests or associations of whatever nature or kind apart from their activities related to the Partnership's business, including business and other interests or associations which comprise all or a portion of the business of the Partnership. Management presently has, and may in the future have, other business interests and associations which consist of the Business. See Item 2.7.2 - *LP Agreement - Business Interests of the General Partner*.

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

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

**Termination of Services Agreement:** The Services Agreement may only be terminated upon the winding-up and dissolution of the Trust and the Partnership or immediately if the Service Provider (a) commits any fraudulent act; or (b) ceases to carry on business, becomes bankrupt or insolvent, resolves to wind-up or liquidate, makes a general assignment for the benefit of its creditors or has a receiver appointed with respect to any of its assets. Investco and the Administrator/General Partner cannot terminate the Services Agreement for any other reason, including if the Service Provider experiences a change of control, and there is no fixed term to the Services Agreement. In addition, because Investco and the Administrator/General Partner are affiliates of the Service Provider, they may be unwilling to terminate the Services Agreement, even if a default does occur in the manner described above. If the Service Provider's performance does not meet the expectations of Subscribers, and the Service Provider is unwilling to terminate the Services Agreement, the price of Equicapita's securities may suffer.

**Preferred Units of the Trust are not a Direct Investment in the Business:** The Trust's financial performance will be directly tied to the performance of the Partnership and Investco and to the performance of the property of Investco. The Offered Units are not a direct investment in the Partnership, Investco, the property of the Partnership or the property of Investco but an investment in the Trust that will acquire Preferred Units of the LP.

**Recourse to Equicapita's Assets:** Equicapita's assets, including any investments made by the Trust, the Partnership and Investco and any capital held by the Trust, the Partnership and Investco, are available to satisfy all liabilities and other obligations of Equicapita. If the Trust, the Partnership and Investco themselves becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Trust's, the Partnership's or Investco's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

**Sale of Additional Preferred Units of the Trust:** The Trust may issue additional Preferred Units of the Trust in the future. The authorized number of Preferred Units of the Trust for issuance by the Trust is unlimited. Such additional Preferred Units of the Trust may be issued without the approval of Unitholders, and may be issued in such number and for such price as is determined in the sole discretion of the Trustees. Preferred Trust Unitholders have no pre-emptive rights in connection with such additional issuances. It is not possible to predict the effect, if any, that future issuances of Preferred Units of the Trust will have on the fair market value of the Preferred Units of the Trust. With any additional issuance of Preferred Units of the Trust, Unitholders will experience dilution.

**Status of the Trust:** The Trust is not a "mutual fund" or an "investment fund" for securities law purposes. As a result, some of the protections provided under such laws to those that invest in mutual funds or investment funds will not be available to investors who invest in the Preferred Units of the Trust and certain restrictions imposed on mutual funds and investment funds under Canadian securities laws, including National Instrument 81-102 – *Mutual Funds*, will not apply to the Trust.

**Mutual Fund Trust Status:** As at the date hereof, the Trust qualifies as a mutual fund trust for the purposes of the Income Tax Act. Should the Trust cease to qualify as a mutual fund trust, the income tax considerations respecting the Trust would be materially different from those described in the summary under Item 6 - *Certain Income Tax Consequences And Exempt Plan Eligibility*, and adverse income tax consequences may result, including:

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

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

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

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

**Risks Associated With the Level of Foreign Ownership:** Currently, one of the conditions for the Trust to qualify as a mutual fund trust is that the Trust cannot reasonably be considered to have been established or maintained primarily for the benefit of Non-Resident persons. The Declaration of Trust contains a limitation on Non-Resident ownership which provides that at no time may Non-Residents of Canada be the beneficial owners of more than 49% of the Units outstanding. The Declaration of Trust provides powers to the Trustees to enforce this limitation, including by selling the Units of a Non-Resident Unitholder without their consent. The exercise of the Trustees powers to enforce such Non-Resident ownership limitation may have an adverse effect on one or more Unitholders or the Trust.

**Changes in Applicable Law:** Legal, tax and regulatory changes in law may occur that can adversely affect Equicapita and the Unitholders. There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions received by the Unitholders.

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

**Liability for Return of Distributions:** Generally, the Unitholders do not have personal liability for the obligations of the Trust. However, under applicable law, Unitholders could be required to return distributions previously made by the Trust if it is determined that such distributions were wrongfully made or in certain other circumstances under the terms of the Declaration of Trust. Where a Unitholder has received the return of all or part of the amount contributed to the Trust, the Unitholder is nevertheless liable to the Trust or, where the Trust is terminated, to its creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the Trust to all creditors who extended credit or whose claims otherwise arose before the return of the contribution. Additionally, Unitholders may have to return all or a portion of distributions made to them to the extent the Trust has an obligation to withhold any amounts from such distribution for tax purposes.

**Limited Liability:** The limited liability of the Trust, as a Limited Partner, may be lost in certain circumstances, including where it takes part in the control or management of the business of the Partnership or through non-compliance with the Partnership Act. In addition, Limited Partners may lose their limited liability to the extent the principles of Canadian law recognizing the limitation of liability of limited partners have not been authoritatively established with respect to limited partnerships formed under the laws of one province but operating, owning property or incurring obligations in another province.

**Preferred Units of the Trust Not Insured:** The Preferred Units of the Trust are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. In addition, although the Trust qualifies as a "mutual fund trust" as defined in the Income Tax Act, the Trust is not a "mutual fund" as defined in applicable securities legislation.



**Unitholder Liability:** Unitholders will not have the benefit of the *Income Trusts Liability Act* (Alberta), as the Trust is not a reporting issuer as defined under the *Securities Act* (Alberta).

**Indemnification:** The Trustees, each former Trustee, and the Administrator are entitled to indemnification and reimbursement out of the Trust Property, except under certain circumstances, from the Trust. Such indemnification obligations could decrease the returns which would otherwise be available to the Unitholders.

### **Risks Pertaining to the Business**

Risks that are specific to the Business include the following:

**General Economic Conditions:** Changes in general economic conditions may affect Equicapita's activities. The businesses acquired or to be acquired by Equicapita operate in a variety of sectors, all of which are affected by trends in general economic conditions in their respective markets. Changes in interest rates, recessionary or inflationary trends, consumer credit availability, consumers' disposable income and spending levels, job security and unemployment, commodity prices, exchange rates, availability of capital and general levels of economic activity may affect the value of investments made by Equicapita. Equicapita's investment can be expected to be sensitive to the performance of the overall economy (including the effects of COVID-19 on the economy).

Globally, recent market events and conditions, including changes in interest rates, availability of credit, inflation rates, national and international political circumstances and unforeseen events causing economic uncertainty, such as COVID-19, have resulted in a deterioration of global economic conditions. Furthermore, oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and demand of these commodities. Notwithstanding various actions by governments, concerns remain about the general condition of the real estate markets, capital markets, financial instruments, banks, investment banks, insurers and other financial institutions. These factors negatively impacted company valuations and impacted the performance of the global economy.

Furthermore, economic conditions globally and in Canada may be affected, directly or indirectly, by political events throughout the world that cause disruptions in the financial markets, such as the United Kingdom's recent exit from the European Union and the imposition of trade tariffs and other barriers by the United States. Any such negative impacts could have a material adverse effect on the performance of Equicapita's investments and the business, financial condition, results of operations and cash flows of Equicapita.

To the extent that a prolonged economic downturn or recession were to occur, either as a result of COVID-19 or otherwise, there may be a material adverse effect on the business, financial condition, results of operations and cash flows of Equicapita.

In particular, the financial markets and global economy have experienced a period of increased volatility due to the economic impact of COVID-19. The public health impact of COVID-19, as well as the steps taken by governments and businesses around the world to combat its spread, will continue to have an adverse impact on the financial markets and global economy. Even though Equicapita believes that certain of the Portfolio Companies would normally be resilient in a recession, any such economic downturn, either short-term or prolonged, is expected to negatively impact Equicapita. For additional details regarding the impact of COVID-19, see *Disease Outbreaks May Negatively Impact the Performance of Equicapita and the Portfolio Companies* below.

**Disease Outbreaks May Negatively Impact the Performance of Equicapita and the Portfolio Companies:** A local, regional, national or international outbreak of a contagious disease, including, but not limited to, coronavirus (including COVID-19), Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness could result in: a general or acute decline in economic activity in the regions Equicapita operates in, a decrease in the willingness of customers to patronize the Portfolio Companies' facilities, shortages of employees to staff the Portfolio Companies, interruptions to supplies from third parties upon which the Portfolio Companies rely, increased governmental regulation adversely impacting the Portfolio Companies' businesses and operations, and the quarantine or contamination of one or more of the Portfolio Companies' facilities. Contagion in one or more of the Portfolio Companies' facilities or a market in which Equicapita operates could negatively impact the business of the Portfolio Companies or the reputation of Equicapita and the Portfolio Companies. Furthermore, there is no assurance that any monetary or fiscal interventions by governments or financial institutions will continue to be available to help alleviate these issues, and for those measures that are put in place, there is no assurance that such measures will be sufficient or fully implemented as publicized. All of these occurrences may negatively and materially adversely affect the ability of the Trust, the Partnership or the General Partner to discharge their duties and may have a material adverse effect on the Equicapita's business, operations, financial condition and cash flows, which in turn, could adversely affect the Trust's ability to pay distributions to Unitholders.

As of the date of this Offering Memorandum, COVID-19 continues to evolve quickly in Canada and across the globe. Multiple jurisdictions in Canada, the United States and Europe have declared a state of emergency or mandated lockdowns which impose restrictions on businesses, some of which included mandates with respect to closures of non-essential businesses. Certain restrictions have been fully or partially lifted in certain jurisdictions but the impacts resulting from COVID-19 remain severe and subject to change.

As of the date hereof, all Portfolio Companies other than Visage are operational (some in a reduced or modified capacity) other than select locations. All of the Ontario locations of Visage are closed due to the lockdown imposed by the Ontario Government on April 3, 2021 and are expected to re-open once the lockdown is lifted. However, there is no guarantee that certain Portfolio Companies will not have to further suspend, reduce or modify operations should there be: (a) an increase in new cases of COVID-19 in the area in which the Portfolio Company is located; (b) an outbreak of COVID-19 at the Portfolio Company; (c) further orders and/or recommendations from

governments regarding restrictions on operations; and/or (d) any other circumstance in which management determines that such a closure is necessary for the health and safety of employees, patients or the community. Further, certain of the Portfolio Companies' customers have themselves reduced or modified operations and accordingly, the applicable Portfolio Companies have responded to such business development by reducing their level of operations and output to reflect the current demand. Certain Portfolio Companies may also be subject to other disruptions to their business and operational plans, including disruptions resulting from temporary operational measures (such as physical distancing) that governments impose on businesses to ensure the safety of employees and others, a shortage of employees and the interruption of supplies from third parties upon which the Portfolio Companies rely. Accordingly, there may be material adverse impacts on the Portfolio Companies, including reductions in revenue and gross margin, and/or increases in expenses.

Due to the foregoing, Equicapita suspended its quarterly distributions in March 2020 and has sought to reduce costs wherever possible. Equicapita will continue to evaluate when distributions can be restored with regard to various factors including restrictions under the Credit Facilities, the financial position of Equicapita and the business operations of the Portfolio Companies. There is no guarantee as to the timing of the restoration of such distributions, if at all, and if restored, the amount of such distributions.

The Administrator is monitoring the COVID-19 situation closely and has proactively raised its level of preparedness planning to adapt more quickly should risk levels rise. The Administrator has developed a business continuity plan and will continue to monitor and adjust its plan as the COVID-19 situation continues to change. The Administrator has taken a number of proactive and precautionary measures to protect the health and safety of its operational staff, the Portfolio Companies and local communities, including the implementation of alternative working arrangements including encouraging employees to work-from-home whenever possible, temporary bans on travel, and promoting social distancing. The Administrator will continue to monitor the evolving COVID-19 situation and will work with other personnel of the Portfolio Companies to pro-actively follow protocol consistent with minimizing the spread of COVID-19 to protect the health of its work force, Portfolio Companies and local communities. There is no assurance that the Equicapita's business will not suffer significant disruptions if employees of Equicapita or the Portfolio Companies are infected with COVID-19 or unable to work as a result of measures aimed at preventing the spread of COVID-19, or if operations are required to be temporarily suspended in order to disinfect any Portfolio Companies' facilities or a location where Equicapita conducts business.

While the effects of COVID-19 are not expected to be long term, the duration and scope of the various disruptions to businesses and the related financial impact is uncertain and cannot be reasonably estimated at this time. The impact of COVID-19 variants, the efficacy of COVID-19 vaccines and the timeline for the mass distribution of such vaccines remains uncertain, and as such, there remains a possibility that the pandemic may have additional material adverse effects on Equicapita and the Portfolio Companies.

Consequently, Equicapita's and the Portfolio Companies' business, operations, financial condition and cash flows could be materially and adversely affected by COVID-19, which in turn, could continue to adversely affect the Trust's ability to pay distributions to Unitholders. In the event that COVID-19 and its associated impacts persist for an extended period of time, Equicapita's ability to realize its investment objectives and strategies and the Portfolio Companies' abilities to operate and generate returns could be severely (and in some cases, permanently) impaired.

**Debt Related Risks:** Equicapita and the Portfolio Companies will be required to comply with covenants under the documentation for the Credit Facilities and any other credit facilities entered into by the Portfolio Companies. In the event that such parties do not comply with such covenants, access to capital could be restricted or repayment could be required on an accelerated basis by the lender, and the ability to make distributions to Unitholders may be restricted. The lender has security over substantially all of the assets of Investco and the Portfolio Companies. If Investco becomes unable to pay its debt service charges or otherwise commits an event of default that is not cured, the lender may foreclose on or sell the businesses acquired by Investco. Amounts paid in respect of interest and principal on debt may reduce distributions. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment of distributions by Investco to the Partnership and by the Partnership to the Trust. Certain covenants in the documentation for the Credit Facilities also limit distributions. Although Management believes the Credit Facilities will be sufficient for the near term, there can be no assurance that the amount will be adequate for the parties' future financial obligations or that additional funds will be able to be obtained. Failure to obtain financing may result in Equicapita not being able to pursue acquisition opportunities and/or a decrease in distributions. The Credit Facilities contain certain covenants which affect and, in some cases, significantly limit, among other things, the activities in which Equicapita and the Portfolio Companies may engage. For more information, see Item 4.2 - *Indebtedness - Credit Facilities*.

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

There is a risk that the Credit Facilities will not be renewed for the same principal amount or on the same terms. Any of these events could materially adversely affect the ability of Equicapita and/or the Portfolio Companies to fund ongoing operations and the ability of Equicapita to distribute cash to Unitholders.

**Interest Rate Fluctuations:** Equicapita's indebtedness is subject to interest rates based on variable lending rates that may fluctuate over time and which will cause fluctuations in Equicapita's cost of borrowing.

**Operating Hazards:** The operations to be conducted by Equicapita will be subject to all of the operating risks normally attendant upon such businesses. Equicapita will seek to acquire insurance when and as, and in such amounts as, Management best sees fit, but there is no assurance that such insurance will be available or adequate.

**Uninsured and Underinsured Losses:** The Trust does not presently carry any insurance with respect to the assets of the Trust. Equicapita uses its discretion in determining amounts, coverage and limits and deductibility provisions of insurance for its operations and assets, with a view to maintaining appropriate insurance coverage on its assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets. Further, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. A judgment against Equicapita in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on our business and financial condition. A substantial loss without adequate insurance coverage could have a material adverse effect on the business, financial condition, liquidity and results of operation for Equicapita.

**Reliance on Management:** Decisions regarding the management of Equicapita's affairs will be made exclusively by the officers and directors of the Administrator/General Partner and not by the Limited Partners or Unitholders. Accordingly, Subscribers must carefully evaluate the personal experience and business performance of the officers and directors of the Administrator/General Partner. Equicapita may retain independent contractors (including the Service Provider) to provide services to Equicapita. These contractors have no fiduciary duty to the Unitholders or the Limited Partners and may not perform consistently with the fiduciary duty owed to the Unitholders or the Limited Partners by the Administrator/General Partner. The ability of the Administrator/General Partner to successfully implement Equicapita's business strategy will depend in large part on the continued involvement of the officers and directors of the Administrator/General Partner. Equicapita does not maintain key person life insurance for Management. If Equicapita loses the services of its key individuals, the business, financial condition and results of operations of Equicapita may be materially adversely affected.

**Management of Growth:** Equicapita may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Equicapita to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Equicapita to deal with this growth may have a material adverse effect on Equicapita's business, financial condition, results of operations and prospects.

**Fluctuations in Foreign Currency Exchange Rates:** Fluctuations in foreign currency exchange rates could adversely affect the Portfolio Companies, and could subsequently affect payments of distributions to Unitholders. The Portfolio Companies could be subject to unfavourable exchange rate changes to the extent that they conduct business with U.S. suppliers and purchasers and to the extent that they have engaged, or in the future engage, in risk management activities related to foreign exchange rates, through entry into forward foreign exchange contracts or otherwise.

**Competition Risk:** Many, if not all of the Portfolio Companies operate in highly competitive industries. Businesses similar to the Portfolio Companies represent competitive risks to the Portfolio Companies' ability to attract customers and operate effectively in their markets. The Portfolio Companies' ability to compete effectively with their current or future competitors could result in, among other things, reduced market share and reduced profitability, which could have a material adverse effect on their financial results and, in turn, affect payments of distributions to Unitholders.

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

**Product Liability:** The Portfolio Companies will each be subject to potential product liabilities connected with their operations, including liabilities and expenses associated with product defects.

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

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

**Weather and Climate Change Risk:** While the operations of Equicapita are not influenced or impacted by seasonal weather patterns, the operations of the Portfolio Companies in which Equicapita invests may be. Seasonal factors and unexpected severe weather conditions could adversely affect the Portfolio Companies' businesses or operations. Frequent or unusually heavy snowfall, ice storms, rainstorms, forest fires or other extreme weather conditions over a prolonged period could impact the Portfolio Companies' operations. In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy the Portfolio Companies' properties located in the affected areas, thereby disrupting the Portfolio Companies' businesses and operations, adversely affecting the Portfolio Companies' financial results, resulting in lower returns to Equicapita and thereby possibly decreasing or preventing distributions to the Trust and the Unitholders.

Climate change could lead to government policy decisions and the development of new technologies which could have a negative effect on the revenues of the Portfolio Companies offering services impacted by such technologies. Financial exposures associated with climate-related events are partly mitigated through insurance programs; however, there is no guarantee that insurance covering climate-related events will continue to be available to a Portfolio Company. Due to the number of catastrophic events in the past few years and the magnitude of losses incurred by the insurance industry, insurers have begun to consider limiting or eliminating coverage for high risk climate-related or climate change-related events such as flooding, wildfires, etc.

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

As a result, in addition to enhancing their current product and solutions portfolio, the Portfolio Companies may have to continually strive to offer new products and design new technologies and software solutions. This would require continued investment in product and technology development to help them maintain or increase their current market position and to allow them to respond to changing customer needs. However, they may be unable to develop or commercialize technological advances and introduce new products in a manner and to an extent sufficient for them to remain competitive within their industry. For example, they may, among other things, lack capacity to invest the required level of human and financial resources necessary to develop these products, commit errors or misjudgments in their planning in these areas or experience difficulties in implementing rollouts. In addition, they may not be able to meet their product development and delivery schedules as a consequence of unforeseen problems during the design or development phases of new product and technology introductions. If they fail to enhance existing products, develop new products or keep pace with developing technology, growth opportunities could be lost or they may lose existing customers. In addition, they have made commitments within some existing contracts with customers, to develop and deliver new products.

**Inability to Win or Maintain Contracts with Existing Customers:** Individual orders of products under master agreements or purchase and service orders are subject to cancellation or rescheduling due to many factors that may lead the Portfolio Companies' customers to redeploy resources. Customers may also cease placing orders or cancel these agreements in their entirety, in which case the Portfolio Companies' remedies may be limited. In addition to potential changes in their views regarding Portfolio Companies' products, customers may also take such steps in response to changes in economic conditions generally or in the public procurement or regulatory environments. Cancellation or postponement of one or more of these significant contracts, or parts thereof, could have a material adverse effect on the Portfolio Companies' results of operations, cash flows and financial condition.

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

**Compliance with Applicable Environmental and Product Laws and Regulations:** The sale and manufacturing of products or provision of services may subject the Portfolio Companies to environmental and other applicable product laws and regulations and its associated regulations. Although Management does not currently anticipate any material adverse effects based on the nature of the Portfolio Companies' operations and these laws and regulations, they will need to ensure that they and their suppliers comply with such laws and regulations as they are enacted. If the Portfolio Companies fail to timely comply with such laws and regulations, their customers may



cease doing business with them, or it could lead to product recalls, relabelling, repackaging, reformulation or other actions which would have a material adverse effect on their business, results of operations and financial condition. In addition, if they were found to be in violation of these laws and regulations, they could be subject to governmental fines, liability to their customers and damage to their reputation, which would also have a material adverse effect on their business, results of operations and financial condition.

**Dependence on Government:** Certain of the Portfolio Companies derive portions of their revenue from government agencies. Any disruption in government funding or deterioration in the relationship between such Portfolio Companies and the government agencies could adversely affect the business and operations of such Portfolio Companies.

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

**Need for Follow-On Investments:** Following its initial investment in the Portfolio Companies, Equicapita may decide to provide additional funds to them or may have the opportunity to increase its investment in them. There is no assurance that Equicapita will make follow-on investments or that Equicapita will have sufficient funds to make all or any of such investments. Any decision by Equicapita not to make follow-on investments or its inability to make such investments may have a substantial negative effect on the Portfolio Companies in need of such an investment or may result in a lost opportunity for Equicapita to increase its participation in a successful operation.

**Intellectual Property Risk:** Certain of the Portfolio Companies involve the creation and use of intellectual property rights, which subject such Portfolio Companies to the risk of the theft of such Portfolio Companies' intellectual property and intellectual property infringement claims from third parties. If such theft occurs or if any intellectual property claims are brought against the Portfolio Companies, the Portfolio Companies could be required to expend significant resources in enforcing their intellectual property rights against such theft and in defense of such infringement claims, whether or not such infringement claims have merit.

**Labour Risk:** Certain of the Portfolio Companies make use of unionized employees. Unionized facilities are subject to the risk of labour disruptions from time to time. It is difficult to predict whether or when any labour disruption may arise, or how long such a disruption could last if it does arise. A significant disruption could have a material adverse effect on the operations and profitability of the affected Portfolio Companies.

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

**Supply Chain Risks:** Certain of the Portfolio Companies depend on the effectiveness of its supply chain management to assure reliable and sufficient product supply, including on favourable terms. A failure to implement and maintain effective supplier selection and procurement practices could adversely affect the Portfolio Companies' ability to deliver desired products to customers and adversely affect the Portfolio Companies' ability to attract and retain customers. In addition, external events, including COVID-19 may adversely impact the portfolio companies' suppliers and distribution channels by restricting or regulating the flow of materials, supplies and equipment related to the Portfolio Companies' operations. A failure to maintain an effective supply and logistics chain may adversely affect the Portfolio Companies' ability to sustain and meet growth objectives and maintain margins. In addition, any significant increase in price would negatively impact Equicapita's operating margins.

**Franchisees and Affiliates:** Certain of the Portfolio Companies' depend on a substantial portion of their revenues and earnings from amounts paid by franchisees. Franchisees are independent businesses and, as a result, their operations may be negatively affected by factors beyond Equicapita's control. If franchisees do not operate their business in accordance with the Portfolio Companies' standards or otherwise in accordance with good business practices, franchisee fees paid to the franchisor Portfolio Companies could be negatively affected, which in turn could adversely affect the Portfolio Companies' reputation, operations or financial performance.

Certain of the Portfolio Companies' franchise systems are also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could negatively affect operations and could add administrative costs and burdens, any of which could affect the Portfolio Companies' relationship with its franchisees.

**Cyber-security:** Equicapita and the Portfolio Companies maintain confidential information regarding their investors, borrowers, business plans, customers, strategy and potential origination opportunities in Equicapita's computer systems. Equicapita and certain Portfolio Companies also maintain internet website(s). Despite the implementation of network security measures, this infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation, result in legal or regulatory liability, and/or have a material adverse effect on Equicapita and the Portfolio Companies.

**Failure or Unavailability of Computer and Data Processing Systems and Software:** The Administrator and Management are dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of the systems could interrupt operations or materially impact the Administrator's and/or Management's ability to collect distributions and make payments on behalf of Equicapita and to manage risks. If sustained or repeated, a system failure or loss of data could negatively and materially adversely affect the ability of the Administrator and Management to discharge their duties to Equicapita entities and the impact on the Trust may be material and adverse.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Trust. Prospective investors should read this entire Offering Memorandum and consult their own counsel and financial advisors before deciding to invest in the Trust.**

**None of Equicapita, the Trustees and the directors and officers of the Administrator, General Partner and Investco are responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Offered Units having regard to any such investment needs and objectives of the potential investor.**

## **ITEM 9 - REPORTING OBLIGATIONS**

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

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

The Declaration of Trust provides that on or before March 31 in each year (or such other date as may be required under applicable law) the Trust will provide to each Unitholder who received distributions from the Trust in the prior taxation year, such information regarding the Trust as is required by Canadian law to be submitted to Unitholders for income tax purposes to enable Unitholders to complete their tax returns in respect of the prior calendar year.

The Trust is not a "reporting issuer" or equivalent under the securities legislation of any jurisdiction. Accordingly, other than the disclosure set forth above, the Trust is not subject to the "continuous disclosure" requirements of any securities legislation and there is no requirement that the Trust make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Trust. The Trust files information with SEDAR only as required pursuant to Section 2.9 of NI 45-106, which information is available electronically from SEDAR ([www.sedar.com](http://www.sedar.com)).

## **ITEM 10 - RESALE RESTRICTIONS**

There is no market for the Offered Units and none is expected to develop and, therefore, it may be difficult or impossible for Unitholders to sell the Offered Units.

The Offered Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Offered Units unless you comply with an exemption from the prospectus requirements under applicable securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Trust becomes a reporting issuer in any province or territory of Canada.

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

- (a) the Trust has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
- (b) you have held these securities for at least twelve (12) months.

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



Since the Trust is not a reporting issuer in any province or territory, the applicable hold period for Subscribers may never expire, and if no further exemption may be relied upon and if no discretionary order is obtained, this could result in a Subscriber having to hold the Offered Units acquired under the Offering for an indefinite period of time.

The Administrator must approve of any proposed disposition of Units. The Declaration of Trust provides that no transfer or other disposition of Units shall be effective unless the transferor provides the proper documentation described in the Declaration of Trust, reports to the Administrator the details of the disposition and all outstanding liabilities of the transferor to the Trust have been paid, or arrangements made satisfactory to the Administrator for the assumption of such liabilities by the transferee. See Item 2.7.1 - *Declaration of Trust - Transfer of Units*.

**The foregoing is a summary only of resale restrictions relevant to a purchaser of the securities offered hereunder. It is not intended to be exhaustive. All Subscribers under this Offering should consult with their legal advisors to determine the applicable restrictions governing resale of the securities purchased hereunder including the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or obtaining a discretionary order.**

## **ITEM 11 - PURCHASERS' RIGHTS**

### **11.1 Statements Regarding Purchasers' Rights**

If you purchase Offered Units, you will have certain rights, some of which are described below. These rights may not be available to you if you purchase the Offered Units pursuant to an exemption from the prospectus requirements other than the offering memorandum exemption in Section 2.9 of NI 45-106. Persons resident in the province of Québec are not permitted to rely on the offering memorandum exemption contained in Section 2.9 of NI 45-106. For complete information about your rights, you should consult a lawyer.

#### **Two Day Cancellation Right**

You can cancel your agreement to purchase Offered Units. To do so, you must send a notice to us by midnight on the second (2nd) business day after you sign the agreement to buy the Offered Units.

#### **Rights of Action in the Event of a Misrepresentation**

Securities legislation in certain of the provinces of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defenses and limitations contained under the applicable securities legislation.

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

#### **Rights of Purchasers in Alberta**

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

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

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

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

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

### **Rights of Purchasers in British Columbia**

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

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

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

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

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

### **Rights of Purchasers in Saskatchewan**

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

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every promoter of the Trust, every person who was a director of the Administrator at the date of this Offering Memorandum, every person or company whose consent has been filed respecting the offering but only with respect to reports, opinions or statements that have been made by them, every person who or company that signed this Offering Memorandum and every person who or company that sells securities on behalf of the Trust under this Offering Memorandum.

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

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

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

### **Rights of Purchasers in Manitoba**

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

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

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

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

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

#### **Rights of Purchasers in Ontario**

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

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

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

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

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

#### **Rights of Purchasers in Québec**

Notwithstanding that the *Securities Act* (Québec) does not provide, or require the Trust to provide, to purchasers resident in Québec with any statutory rights of action in circumstances where this Offering Memorandum contains a misrepresentation, the Trust hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

#### **Rights of Purchasers in Nova Scotia**

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

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

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

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to enforce the right of action discussed above not later than 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

#### **Rights of Purchasers in New Brunswick**

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

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

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

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

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

#### **Rights of Purchasers in Newfoundland and Labrador**

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

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

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

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

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

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

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

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

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

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

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

#### **11.2 Cautionary Statement Regarding Report, Statement or Opinion by Expert**

This Offering Memorandum includes: (i) the section titled "*Certain Income Tax Consequences And Exempt Plan Eligibility*" prepared by Norton Rose Fulbright Canada LLP, effective as of the date of this Offering Memorandum; and (ii) the annual audited financial statements for the year ended December 31, 2020 and accompanying independent auditors' report prepared by BDO Canada LLP. You do not have a statutory right of action against these parties for a misrepresentation in the Offering Memorandum. You should consult with a legal adviser for further information.

## **ITEM 12 - FINANCIAL STATEMENTS**

Audited financial statements of the Trust and the Partnership are set out below.



## **Equicapita Income Trust**

### **Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**





Tel: 403 266 5608  
Fax: 403 233 7833  
[www.bdo.ca](http://www.bdo.ca)

BDO Canada LLP  
903 - 8<sup>th</sup> Avenue SW, Suite 620  
Calgary AB T2P 0P7  
Canada

---

## Independent Auditor's Report

---

To the Unitholders of Equicapita Income Trust

### Opinion

We have audited the financial statements of Equicapita Income Trust and its subsidiaries (the Group), which comprise the *consolidated statement of financial position* as at December 31, 2020, and the *consolidated statement changes in net assets*, the *consolidated statement of changes in net assets attributable to the holders of redeemable units*, and the *consolidated statement cash flow* for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards*.

### Basis for Opinion

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Equicapita Income Trust**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2020 and 2019**

\$	Notes	2020	2019
<b>Assets</b>			
Cash	10	611	1,777
Accounts receivable	10	5,603	5,603
Distributions receivable from Partnership	5,7,10	-	1,857,914
Redemptions receivable from Partnership	5,7,10	10,000	26,777
Due from related parties	7,10	7,027	899
Investment in Partnership Units	5,6,7	155,708,647	163,372,458
		<b>155,731,888</b>	165,265,428
<b>Liabilities</b>			
Accounts payable and accrued liabilities	10	14,324	8,914
Distributions payable	8,10	-	1,858,362
Redemptions payable	8,10	10,000	26,777
		<b>24,324</b>	1,894,053
<b>Net assets attributable to holders of redeemable units</b>	10	<b>155,707,564</b>	163,371,375
<b>Net assets attributable to holders of redeemable units</b>			
Common Units	6,9,10	4	4
Preferred Units	6,8,10	58,564,483	61,586,175
Preferred Extension Units	6,8,10	1,270,000	1,326,127
Preferred B Units	6,8,10	41,272,480	43,366,948
Preferred C Units	6,8,10	52,707,673	55,104,626
Preferred D Units	6,8,10	1,892,924	1,987,495
<b>Net assets attributable to holders of redeemable units per unit</b>			
Common Units		0.95	1.00
Preferred Units		0.95	1.00
Preferred Extension Units		0.95	1.00
Preferred B Units		0.95	1.00
Preferred C Units		0.95	1.00
Preferred D Units		0.95	1.00

Subsequent events

12

*See accompanying notes to the consolidated financial statements.*

Approved on behalf of the Trustees:

"signed" Michael Cook, Director

"signed" Stephen Johnston, Director

**Equicapita Income Trust**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**For the years ended December 31, 2020 and 2019**

\$	Notes	2020	2019
<b>Revenue</b>			
Distribution income	5,8	-	10,991,479
Gain on redemption of preferred trust units		26,614	71,665
Loss on unrealized fair value of investment in Partnership	6,8	(7,910,998)	(924)
		<b>(7,884,384)</b>	<b>11,062,220</b>
<b>Expenses</b>			
General and administration	7	333,809	291,350
Costs reimbursed by Partnership	7	(333,809)	(291,350)
Loss on redemption of preferred Partnership Units		26,614	71,665
		<b>26,614</b>	<b>71,665</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations</b>		<b>(7,910,998)</b>	<b>10,990,555</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	8		
Preferred units		(2,980,323)	4,621,249
Preferred Extension units		(64,764)	68,290
Preferred B units		(2,099,650)	2,735,580
Preferred C units		(2,669,961)	3,461,636
Preferred D units		(96,300)	103,800
		<b>(7,910,998)</b>	<b>10,990,555</b>

*See accompanying notes to the consolidated financial statements.*

**Equicapita Income Trust**  
**Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**  
**For the years ended December 31, 2020 and 2019**

<b>\$</b> <b>Total Fund</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>		<b>163,371,375</b>	162,048,081
Increase (decrease) in net assets attributable to holders of redeemable units from operations	6,8	(7,910,998)	10,990,555
<b>Redeemable unit transactions</b>			
Issuance of redeemable units	8	243,698	12,270,928
Reinvested distributions	5,6,8	193,616	1,417,334
Redemption of redeemable units	6,8	(190,127)	(12,364,044)
		<b>247,187</b>	1,324,218
<b>Distributions to holders of redeemable units</b>			
From net investment income		-	10,991,479
Net increase (decrease) in net assets attributable to holders of redeemable units for the year		<b>(7,663,811)</b>	1,323,294
<b>Net assets attributable to holders of redeemable units, end of year</b>		<b>155,707,564</b>	163,371,375

<b>\$</b> <b>Common Units</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	9	<b>4</b>	<b>4</b>
Increase in net assets attributable to holders of redeemable units from operations		-	-
<b>Net assets attributable to holders of redeemable units, end of year</b>		<b>4</b>	<b>4</b>

*See accompanying notes to the consolidated financial statements.*

**Equicapita Income Trust**  
**Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**  
**For the years ended December 31, 2020 and 2019**

<b>\$ Preferred</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>		<b>61,586,175</b>	<b>62,611,871</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations	8	(2,980,323)	4,621,249
<b>Redeemable unit transactions</b>			
Issuance of redeemable units	8	-	263,157
Reinvested distributions	8	102,489	809,484
Redemption of redeemable units	8	(143,858)	(2,097,981)
		(41,369)	(1,025,340)
<b>Distributions to holders of redeemable units</b>			
From net investment income		-	4,621,605
Decrease in net assets attributable to holders of redeemable units for the year		(3,021,692)	(1,025,696)
<b>Net assets attributable to holders of preferred units, end of year</b>		<b>58,564,483</b>	<b>61,586,175</b>

<b>\$ Preferred Extension</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>		<b>1,326,127</b>	<b>1,297,937</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations	8	(64,764)	68,290
<b>Redeemable unit transactions</b>			
Reinvested distributions	8	8,637	28,190
		8,637	28,190
<b>Distributions to holders of preferred units</b>			
From net investment income		-	68,290
Increase (decrease) in net assets attributable to holders of redeemable units for the year		(56,127)	28,190
<b>Net assets attributable to holders of redeemable units, end of year</b>		<b>1,270,000</b>	<b>1,326,127</b>

See accompanying notes to the consolidated financial statements.



**Equicapita Income Trust**  
**Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**  
**For the years ended December 31, 2020 and 2019**

<b>\$ Preferred B</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>		<b>43,366,948</b>	<b>33,275,333</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations	8	(2,099,650)	2,735,580
<b>Redeemable unit transactions</b>			
Issuance of redeemable units	8	-	10,000,000
Reinvested distributions	8	35,828	261,832
Redemption of redeemable units	8	(30,646)	(169,972)
		5,182	10,091,860
<b>Distributions to holders of redeemable units</b>			
From net investment income		-	2,735,825
Increase (decrease) in net assets attributable to holders of redeemable units for the year		(2,094,468)	10,091,615
<b>Net assets attributable to holders of redeemable units, end of year</b>		<b>41,272,480</b>	<b>43,366,948</b>

<b>\$ Preferred C</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Net assets attributable to holders of redeemable units, beginning of year</b>		<b>55,104,626</b>	<b>62,916,694</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations	8	(2,669,961)	3,461,636
<b>Redeemable unit transactions</b>			
Issuance of redeemable units	8	243,698	1,977,771
Reinvested distributions	8	44,933	306,564
Redemption of redeemable units	8	(15,623)	(10,096,091)
		273,008	(7,811,756)
<b>Distributions to holders of preferred units</b>			
From net investment income		-	3,461,948
Decrease in net assets attributable to holders of redeemable units for the year		(2,396,953)	(7,812,068)
<b>Net assets attributable to holders of redeemable units, end of year</b>		<b>52,707,673</b>	<b>55,104,626</b>

*See accompanying notes to the consolidated financial statements.*

Equicapita Income Trust  
Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
For the years ended December 31, 2020 and 2019

\$ Preferred D	Notes	2020	2019
<b>Net assets attributable to holders of redeemable units, beginning of year</b>		<b>1,987,495</b>	<b>1,946,242</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations	8	(96,300)	103,800
<b>Redeemable unit transactions</b>			
Issuance of redeemable units	8	-	30,000
Reinvested distributions	8	1,729	11,264
		<b>1,729</b>	<b>41,264</b>
<b>Distributions to holders of preferred units</b>			
From net investment income		-	103,811
Increase (decrease) in net assets attributable to holders of redeemable units for the year		(94,571)	41,253
<b>Net assets attributable to holders of redeemable units, end of year</b>		<b>1,892,924</b>	<b>1,987,495</b>

See accompanying notes to the consolidated financial statements.

**Equicapita Income Trust**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**

\$	Notes	2020	2019
<b>Cash Flows from (used in) Operating Activities</b>			
Increase (decrease) in net assets attributable to holders of redeemable units from operations		(7,910,998)	10,990,555
Adjustments for:			
Change in unrealized fair value in investment of Partnership Units	6	7,910,998	(924)
Gain on redemption of preferred trust units		(26,614)	(71,665)
Loss on redemption of Partnership Units		26,614	71,665
Distribution income		-	(10,991,479)
Cash received for distribution income		1,664,746	10,991,479
Investment in Partnership		(243,698)	(2,007,771)
Redemption of investment in Partnership		163,582	4,526,033
Net change in non-cash items		(1,166)	(72,423)
		<b>1,583,464</b>	<b>13,435,470</b>
<b>Cash Flows from (used in) Financing Activities</b>			
Issuance of preferred C trust units	8	243,698	1,977,771
Issuance of preferred D trust units	8	-	30,000
Amounts paid for redeemable units redeemed		(163,582)	(4,526,033)
Distributions paid to holders of redeemable units, net of reinvested distributions		(1,664,746)	(10,950,947)
		<b>(1,584,630)</b>	<b>(13,469,209)</b>
<b>Decrease in cash</b>		<b>(1,166)</b>	<b>(33,739)</b>
<b>Cash, beginning of year</b>		<b>1,777</b>	<b>35,516</b>
<b>Cash, end of year</b>		<b>611</b>	<b>1,777</b>

*See accompanying notes to the consolidated financial statements.*

## **1 ORGANIZATION AND NATURE OF THE BUSINESS**

---

Equicapita Income Trust (the Trust) was formed pursuant to a Declaration of Trust dated April 23, 2013. The Trust has been established with the objective of earning a preferred return of up to 10% through an indirect investment in a diversified portfolio of operating businesses through its acquisition of Limited Partnership units of Equicapita Income LP (the Partnership). Equicapita Income GP Ltd. (the Administrator or the General Partner) is a wholly owned subsidiary of the Trust, is the General Partner to the Partnership and is the Administrator of the Trust. The Partnership invests only in Equicapita Investment Corp. (EIC) which is a wholly owned subsidiary of the Partnership.

The address and principal place of business of the Trust and Administrator is Suite 2210, 8561 – 8A Avenue SW, Calgary, Alberta, T3H 0V5. The beneficiaries of the unincorporated Trust are the unitholders.

## **2 BASIS OF PREPARATION AND MEASUREMENT**

---

### **2.1 Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) ) and interpretations of the IFRS Interpretations Committee.

These consolidated financial statements were authorized for issue by the Administrator on March 31, 2021.

### **2.2 Basis of Measurement**

These consolidated financial statements are prepared on a going concern basis, using the historical cost convention, except for the revaluation of certain financial assets and liabilities to fair value disclosed in Note 3. The accounting policies described in Note 3 have been applied consistently to all years presented in these consolidated financial statements.

### **2.3 Functional and Presentation Currency**

These consolidated financial statements are presented in Canadian dollars, the Trust's functional currency. All information is presented in whole dollars, except the number of units or the weighted average number of units, which are presented in whole numbers.

### **2.4 Extension Vote and Investment Entity status**

On March 15, 2019, at a joint Special Meeting of the preferred unitholders' and the common unitholders of the Partnership, (the Extension), the unitholders of the Trust approved an amendment to the Declaration of Trust, which extended the redemption dates of the outstanding Preferred Trust Units and Partnership Units (collectively the Units) a further five years. These changes were effective March 22, 2019 and included the following:

- the investment term for the Units was extended an additional five years. The General Partner will use reasonable commercial efforts to seek a commercially appropriate liquidity event as soon as reasonably practicable subsequent to March 31, 2024,
- all common units (Common LP Units) of the Partnership (other than one Common LP Unit held by the General Partner) were redeemed by the Partnership for \$0.26 per Common LP Unit,
- the unitholders of the Partnership would receive a Preferred Return, which is a cumulative fixed distribution at the same rate as the holders' existing Units,

**Equicapita Income Trust**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

---

- a management fee of 1.3% per annum payable by the Partnership to Equicapita Services L.P. was established. The management fee is based on the gross purchase price paid by investors for preferred units of the Partnership, which includes Partnership units owned by the Trust,
- unitholders of the Partnership became entitled to 80% of the remaining value of the Partnership, after payment of return of capital and preferred return (the Liquidation Value) with the remaining 20% payable to the special limited partner, 2181376 Alberta Ltd. on a liquidation event. The Trust, by virtue of its ownership of Partnership units will be entitled to its proportionate share of the Liquidation Value of the Partnership units, and
- modified the redemption terms of the Units such that
  - the Units may be redeemed by the Trust and/or the Partnership at a redemption price equal to the market value of such unit, being a price determined on the assumption that the assets of the Trust and the Partnership were sold for their fair market value and the proceeds therefrom are distributed in accordance with the declaration of trust and the partnership agreement; and;
  - a unitholder may redeem a Unit at a redemption price equal to the lesser of (i) the market value of such unit and (ii) \$1.00 minus any amount distributed in respect of such Unit, in each case multiplied by 90%; and
- remove the existing cap on indebtedness.

### **3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

---

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and use judgement regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. These estimates and judgements are subject to change based on experience and new information, and by their nature, are subject to measurement uncertainty. Accordingly, actual results may differ from the estimated amounts as future confirming events occur.

In January 2020 the World Health Organization declared the coronavirus (COVID-19) outbreak a Public Health Emergency and on March 10, 2020 it was declared a global pandemic (the Pandemic). Actions taken around the world to slow the spread of COVID-19 included government-imposed restrictions on travel, quarantines and forced closures of certain businesses. These measures caused significant disruption to business operations and increased commercial uncertainty, which includes but is not limited to; a decline in customer demand, disruption in the supply chain, the health and availability of the workforce, the timing and certainty of certain capital expenditures and major projects, the results of financing efforts and an increase in credit risk.

The financial results of EIC were impacted by the outbreak of the COVID-19 pandemic. The Administrator, through its ownership of the Partnership, and influence over EIC, introduced measures, procedures, and protocols to foster the health and safety of its employees, vendors, and customers. These enhanced protocols included: travel restrictions, workplace hygiene practices, employee absence tracking, additional personal protective equipment for essential workers, limiting access to facilities, and alternative work options for employees where possible, such as working from home. The Pandemic also resulted in a decrease of revenue and cash flows for fiscal 2020 which was mitigated, in part, by the diversified nature of EIC's operations across various industries and provinces, and by the Government of Canada's introduction of various subsidy programs. In addition, EIC amended its credit facility which relaxed certain financial covenants up until June 30, 2021, and secured additional funding from the Partnership through the issuance of new partnership units. The extent to which COVID-19 may impact EIC's operations, financial position and performance have been considered in management's estimates and the assumptions at period end have been reflected in the results with any significant changes described in the relevant financial statement note.

**Equicapita Income Trust**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

---

The Trust suspended quarterly distributions beginning March 31, 2020 as the impact of COVID-19 on the Trust's investment in the Partnership and EIC's operations, financial position and performance remains uncertain.

Market conditions began to improve over the later half of 2020, as countries began reopening their economies, but recent resurgence of variant COVID-19 cases in certain geographical locations may result in further restrictions. The impact of the Pandemic continues to present challenges to EIC's operations and business environment, and the Trust can not reasonably estimate the length or severity of the Pandemic, but continues to monitor its impact to inform appropriate strategic and tactical business decisions.

Significant estimates and judgements made by management in the preparation of these consolidated financial statements are as follows:

### **3.1 Investment Entity Status**

Judgement was required when determining whether the Trust meets the definition of an investment entity which IFRS 10 defines as an entity that: (i) obtains funds from one or more investors for the purpose of providing those investors with investment management services; (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

When determining whether the Trust met the definition of an investment entity under IFRS 10, Management applied significant judgement when assessing whether the Trust measures and evaluates the performance of substantially all of its investments on a fair value basis. The Trust invests its proceeds through controlled subsidiaries, which consist of the Partnership and EIC. Certain of these subsidiaries were formed for legal, regulatory or similar reasons by the Administrator of the Trust and share a common business purpose. The assessment of whether the Trust, the parent company, meets the definition of an investment entity was performed on an aggregate basis with these subsidiaries.

### **3.2 Fair Value of Partnership Units**

The fair value of the Partnership Units is determined, whenever possible, based on observable market data. If not available, the Trust uses third-party models and valuation methodologies that utilize observable market data to estimate the fair value of financial instruments. In addition to market information, the Trust incorporates transaction-specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk. See Note 6, which describes the methodology and assumptions.

### **3.3 Impairment of Financial Assets**

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, management rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.



## **4 SIGNIFICANT ACCOUNTING POLICIES**

---

The accounting policies set out below have been applied consistently throughout the years presented in these consolidated financial statements.

### **4.1 Accounting Standards Adopted in the Current Year**

The following standards were adopted on January 1, 2020 by the Trust. There were no retrospective adjustments required on adoption of these standards.

In October 2018, IASB issued amendments to IAS 1, *Presentation of Financial Statements* (IAS 1), and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) to provide further clarification on the definition of materiality, specifying that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments resulted in consequential amendments to other IFRSs to use a consistent definition of materiality throughout IFRSs and the conceptual framework for financial reporting. These amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after January 1, 2020.

In September 2019, the IASB issued amendments to IFRS 9, *Financial Instruments* (IFRS 9), IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), and IFRS 7 and *Financial Instruments: Disclosures* (IFRS 7). These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

### **4.2 Significant Accounting Policies**

#### **4.2.1 Basis of consolidation**

All entities, in which the Trust has a controlling interest, specifically when it has the power to direct the financial and operational policies of these entities to obtain benefit from their operations, are consolidated. The consolidated financial statements include the activities of the Trust and its subsidiary, Equicapita Income GP Ltd. Intercompany balances and transactions are eliminated on consolidation.

As a result of the Extension (Note 2), the Trust was deemed to control the Partnership through its ownership of the Common LP unit issued by the Partnership. On that date, the Trust and Partnership met the definition of an investment entity, as defined by IFRS 10, *Consolidated Financial Statements*, and as a result the Trust accounts for its investment in the Partnership at fair value.

#### **4.2.2 Cash**

Cash consists of amounts held with financial institutions.

#### **4.2.3 Investment in Partnership units**

The Trust invests in and controls the Partnership. Pursuant to the Extension (Note 2), both the Trust and the Partnership meet the definition of an investment entity under IFRS 10. The Trust classifies its investment in the Partnership at fair value through profit or loss (FVTPL).

#### **4.2.4 Income taxes**

The Trust qualifies as a mutual fund trust under the *Income Tax Act* (Canada) and is taxable only on income that is not paid or payable to Unitholders during a taxation year. The Declaration of Trust requires that the Trust distribute sufficient amounts such that no tax will be paid or payable. Accordingly, the Trust does not record a provision for Canadian income taxes.

The consolidated entity includes a controlled company, the General Partner, which may incur income tax expense. Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

#### 4.2.5 Financial instruments

##### Recognition and initial measurement

Financial instruments are initially measured at fair value and subsequently measured according to their classification as noted below. Transaction costs in respect of an asset or liability not recorded at fair value through net earnings are added to the initial carrying amount. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. The classification of financial liabilities depends on the purpose for which the financial liabilities were incurred and their characteristics. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. On initial recognition, financial assets are classified in the following measurement categories: amortized cost, FVTPL, or fair value through other comprehensive income or loss (FVOCI).

##### Classification and subsequent measurement

Except in very limited circumstances, the classification of financial assets and financial liabilities are not changed subsequent to initial recognition. If a classification change is made, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### Financial assets

Classification	Subsequent measurement
Amortized cost	Amortized cost, using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
FVTPL	Net gains and losses, including interest or dividend income are recognized in profit or loss.
FVOCI	Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other comprehensive income or loss (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.

##### Financial liabilities

Classification	Subsequent measurement
Amortized cost	Amortized cost, using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
FVTPL	Net gains and losses, including interest expense are recognized in profit or loss. These financial liabilities are held-for trading, derivatives or designated as derivative on initial measurement.

Modifications to financial liabilities measured at amortized cost occur when the cash flows are modified without resulting in derecognition. The carrying value of the liability is adjusted to the present value of the modified cash flows, discounted at the financial liability's original effective interest rate, with a resulting gain or loss recognized in comprehensive income or loss.

#### 4.2.6 Impairment of financial assets

The Trust recognizes an allowance for expected credit losses (ECL) on financial assets measured at amortized cost using a three-stage approach. The Trust measures loss allowance at an amount equal to 12 months of expected losses for performing financial assets if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The determination of a significant increase in credit risk considers different factors and varies by nature of investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due interest payment or maturity date, and borrower specific criteria as identified by management. The Trust considers a financial asset to be credit impaired when the borrower is more than 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Trust has commenced enforcement remedies available to it under its contractual agreements.

ECL's are probability-weighted estimate of credit losses, which are measured at the present value of all cash shortfalls (the difference between the cash flows due to the Trust and the cash flow that the Trust expects to receive). ECL's are discounted at the effective interest rate of the financial asset. For financial assets measured at amortized cost, the ECL's are deducted from the asset's carrying amount and recognized in the statements of comprehensive income or loss.

#### 4.2.7 Distributions

Distributions to unitholders are recorded by the Trust when declared.

#### 4.2.8 Net assets attributable to holders of redeemable units per unit

Net assets attributable to holders of redeemable units per unit are calculated using the net assets attributable to holders of redeemable units divided by the number of preferred unit outstanding.

### 4.3 Other Future Adoptions

The Trust is assessing the following amendments to IFRS, but does not expect adoption of these amendments to have a significant impact on the financial results or note disclosures within the consolidated financial statements.

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability, income or expense or the information that entities disclose about those items. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted.

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018-2020*. The pronouncement contains amendments to four International Financial Reporting Standards: 1) IFRS 1 - *First Time Adopter*, 2) IFRS 9 - *Fees in the "10 percent" test for derecognition of financial liabilities*, 3) IFRS 16 - *Lease Incentives* and 4) IAS 41 - *Taxation in Fair Value Measurements*. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

In May 2020, the IASB issued *Onerous Contracts — Cost of Fulfilling a Contract* (Amendments to IAS 37) amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

**Equicapita Income Trust**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

---

In May 2020, the IASB issued *Reference to the Conceptual Framework* (Amendments to IFRS 3) with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

## **5 INVESTMENT IN LIMITED PARTNERSHIP UNITS**

---

As at December 31, 2020, the Trust has invested in 163,628,255 (2019 – 163,372,402) Preferred Limited Partnership units ("Partnership Units") of the Partnership at a total cost of \$163,620,569 (2019 - \$163,373,382). During the year ended December 31, 2020, total non-cash amounts invested in the Partnership were \$193,616 (2019 - \$1,417,334). At December 31, 2020, the fair value of the investment in the Partnership Units was \$155,708,647 (2019 - \$163,372,458) (Note 6).

The Partnership Units are entitled to receive an annual cumulative fixed Preferred Return, which is calculated quarterly and paid 45 days after the declaration date. If a distribution is not paid in full by the Partnership, the unpaid amount is compounded annually and must be paid by the Partnership before any performance participation payments are made to the Partnership's management on a liquidation event. The Partnership Units are entitled to 80% of the remaining value of the Partnership (after payment of the return of capital and the Preferred Return) on a liquidation event.

During the year ended December 31, 2020, the Trust earned distribution income of \$nil (2019 - \$10,991,479) on the Partnership Units, which has been recorded as distribution income. At December 31, 2020, the Trust recorded \$nil (2019 - \$1,857,914) in distributions receivable and \$10,000 (2019 - \$26,777) in redemptions receivable from the Partnership.

The Partnership Units are redeemable on demand at the option of the Trust. If the redemption is demanded by the Trust, the redemption price is equal to the lesser of the market value of the Partnership Units and \$1.00, minus any amounts distributed in respect of the Partnership Units, in each case multiplied by 90%. If the Partnership declares the redemption, the redemption price is equal to the market value of the Partnership Units.

Redemptions are limited to \$10,000 per month but may be changed at the discretion of the Administrator. Partnership Units are simultaneously redeemed in the Trust when Preferred Trust Units are redeemed. Any redemption requested in excess of that amount may be retained as an investment and submitted to be redeemed in a subsequent period, repaid through the issuance of a redemption note or settled via distribution of Partnership property.

## **6 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT**

---

The estimated fair values of financial instruments as at December 31, 2020 and 2019 are based on relevant market prices and information available as at the period end. Financial instruments measured at fair value are allocated within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Transfers between the three levels are recognized on the date of the event or change in circumstances that caused the transfer. The three levels of the fair value hierarchy are as follows:

Level 1 - quoted market prices in an active market for identical assets or liabilities at the measurement date;

Level 2 - observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities that are not active, or other inputs that are observable directly or indirectly; and

**Equicapita Income Trust**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

Level 3 - unobservable inputs for the assets and liabilities that reflect the reporting entity's own assumptions and are not based on observable market data.

The financial assets and financial liabilities held at December 31, 2020 and 2019, were as follows:

\$	Fair Value Hierarchy Level	Classification	2020	2019
<b>Financial assets</b>				
Investment in Partnership Units	3	FVPTL	155,708,647	163,372,458
<b>Financial liabilities</b>				
Common Trust Units	3	FVTPL	4	4
Preferred Trust Units	3	FVTPL	155,707,560	163,371,371

The carrying values of accounts receivable, distributions receivable, redemptions receivable, due from related parties, accounts payable and accrued liabilities, distributions payable, redemption payable and due to related parties approximates their fair values due to their short-term nature.

During the year ended December 31, 2020, financial assets measured at fair value with significant unobservable inputs (Level 3) were recognized in the consolidated statements of comprehensive income or loss as change in fair value. The valuation of financial assets and liabilities measured at fair value with significant unobservable inputs (Level 3) is determined quarterly utilizing company-specific considerations, available market data of comparable public companies, if available, and current economic and industry conditions.

The Administrator of the Trust is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation process and results are reviewed and approved by the Administrator at least once every quarter. The Administrator's management consists of individuals who are knowledgeable and have experience in the fair value techniques for the investments held by the Trust.

The Administrator decides on the appropriate valuation methodologies for new investments and contemplates changes in the valuation methodology for existing investments. Additionally, the Administrator analyzes the movements in each investment's value, which involves assessing the validity of the inputs applied in the valuation.

At December 31, 2020, the fair value measurement for the investment in Partnership Units was primarily determined by the underlying net asset value of the Partnership's investment in EIC, which invests in a diversified portfolio of owner-managed entities. A change to reasonably possible alternative estimates and assumptions used in the valuation of non-public investments, may have a significant impact on the fair values calculated for these financial assets. There were no transfers between levels in the hierarchy during the years ended December 31, 2020 and 2019.

The Partnership Units are entitled to the change in value derived from the underlying assets of EIC, which has resulted in a fair value adjustment to the investment in Partnership Units held by the Trust at December 31, 2020 and 2019.

Equicapita Income Trust  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019

Details of the financial assets and financial liabilities measured at fair value with significant unobservable inputs (Level 3) are as follows:

\$	Investment in Partnership Units	Preferred Trust Unit liabilities
Balance – December 31, 2018	162,049,771	(162,048,077)
Acquired during the year	13,687,655	(13,688,262)
Redeemed during the year	(12,364,044)	12,364,044
Change in fair value recognized in net income	(924)	924
<b>Balance – December 31, 2019</b>	<b>163,372,458</b>	<b>(163,371,371)</b>
Acquired during the year	437,314	(437,314)
Redeemed during the year	(190,127)	190,127
Change in fair value recognized in net loss	(7,910,998)	7,910,998
<b>Balance – December 31, 2020</b>	<b>155,708,647</b>	<b>(155,707,560)</b>
<b>Unrealized change in fair value of assets and liabilities as at</b>		
December 31, 2019	(924)	924
<b>December 31, 2020</b>	<b>(7,910,998)</b>	<b>7,910,998</b>

The Trust utilized the adjusted net asset method to derive the fair value of its investment in Partnership Units, by reference to the underlying fair value of EIC's portfolio company's net assets, using an income-based approach, by means of discounted cashflow corroborated with a comparable multiples approach. The discount rate and enterprise value multiples applied to the cashflow stream from the portfolio companies are significant unobservable inputs. The Trust determined that the adjusted net asset method was the appropriate valuation method to be used, considering the value of the Partnership Units is derived from the underlying investment EIC's portfolio companies.

The following table presents the significant unobservable inputs used to value EIC's underlying private securities at December 31, 2020 and 2019 that impact the valuation of the Trust's investment in Partnership Units.

Investment	Valuation Technique	Significant unobservable inputs	2020		2019	
			Range of inputs	Weighted average of inputs	Range of inputs	Weighted average of inputs
Partnership Units	Discounted cash flow	Weighted average cost of capital	9.0% - 10.0%	9.2%	8.5% - 9.5%	8.8%
		Adjusted EBITDA <sup>1</sup> multiple	10.0x – 10.5x	10.3x	9.3x – 9.8x	9.6x

<sup>1</sup> Adjusted EBITDA means earnings before interest, taxes, depreciation and amortization. Adjustments can include transition and restructuring expenses including severance payments, annualized pro-forma adjustments for acquisitions, impacts of purchase accounting and other similar amounts. Adjusted EBITDA is not defined under IFRS.



**Equicapita Income Trust**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

The fair value of the Trust's investment in the Partnership would change at December 31, 2020, with the following changes in significant unobservable inputs, holding all other variables constant: 0.5% increase or decrease in the discount rate would decrease or increase the fair value by \$3,300,000; a 1% increase or decrease in EBITDA would increase or decrease total fair value by \$2,800,000; an increase or decrease of 0.25x of the comparable multiple would decrease or increase the total fair value by \$7,000,000 and an increase or decrease of 0.5% in capital expenditures as a % of EBITDA, would increase or decrease the fair value by \$2,400,000.

## 7 RELATED PARTIES

The Trust is related to the Partnership and its subsidiary by virtue of common trustees and directors. The Trust had the following related party balances outstanding as at:

\$ As at December 31	2020	2019
Distributions receivable	-	1,857,914
Redemptions receivable	10,000	26,777
Due from related parties	7,027	899
		163,372,45
Investment in Partnership Units	155,708,647	8

Distributions receivable and redemptions receivable are due from the Partnership. Amounts due from related parties are unsecured, due on demand and non-interest bearing.

During the year ended December 31, 2020, the Trust incurred operating expenses of \$333,809 (2019 - \$291,350) which were reimbursed by the Partnership, in accordance with a cost reimbursement agreement.

## 8 PREFERRED UNITS

### 8.1 Authorized

An unlimited number of preferred units, preferred B units, preferred C units, preferred D units, and preferred E units (collectively Preferred Trust Units) are authorized for issuance. Holders of Preferred Trust Units are entitled to one vote per unit but may only vote on matters related to the rights of the preferred unitholders. All Preferred Trust Units are redeemable on demand by the unitholder or the Trust. If the redemption is demanded by the Trust, the redemption amount is the fair market value of such redemption unit as at the date of the redemption notice. If the redemption is demanded by the unitholder, the redemption price is the lesser of the fair market value of such redemption unit at the date upon which such redemption unit was tendered for redemption and \$1.00 per unit, minus any amount distributed in respect of the Preferred Trust Units, multiplied by 90%. The Preferred Trust Units are classified as financial liabilities due to their redemption features and are measured at FVTPL. At December 31, 2020, the Trust had accrued \$10,000 (2019 - \$26,777) in redemptions payable.

Cash redemptions on the Preferred Trust Units are limited to \$10,000 per month and may be adjusted at the discretion of the Administrator. Any redemption requested in excess of that amount may be retained as an investment and submitted to be redeemed in a subsequent period, repaid through the issuance of a redemption note or settled via distribution of Trust property which are not due until five years from the Preferred Trust Unit's issuance date. The term of the Preferred Trust Units was extended to March 31, 2024.

**Equicapita Income Trust**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

Unitholders are entitled to receive a fixed preferential return per series, per Preferred Trust Unit. The preferential return is calculated quarterly and distributions are declared by the Administrator and paid based on the distributable income of the Trust. Unitholders may choose to receive the distribution in the form of cash or by way of a Dividend Reinvestment Plan ("DRIP"), whereby the distribution is in the form of additional Preferred Trust Units at the prevailing price per unit on reinvestment.

The Preferred Return per series, per unit is as follows: preferred units \$0.10; preferred – Extension units \$0.1025; preferred B units \$0.09; preferred C units \$0.08, preferred D units \$0.07. During the year ended December 31, 2020, the Trust declared distributions of \$nil (2019 - \$10,991,479). The accumulated unpaid Preferred Return as at December 31, 2020 was \$18,812,927 (2019 - \$3,713,378). As at December 31, 2020, the Trust accrued distributions payable to preferred unitholders of \$nil (2019 - \$1,858,362).

## **8.2 Issued and outstanding Preferred Trust Units:**

<b>Number of Units</b>	<b>Preferred</b>	<b>Preferred Ext</b>	<b>Preferred B</b>	<b>Preferred C</b>	<b>Preferred D</b>	<b>Total</b>
<b>Balance,</b>						
<b>December 31, 2018</b>	62,612,958	1,297,937	33,275,333	62,916,694	1,946,242	162,049,164
<b>Issuance</b>						
Offering memorandum	-	-	-	49,020	-	49,020
Accredited investor	263,157	-	10,000,000	1,927,771	-	12,190,928
Employee compensation	-	-	-	-	30,000	30,000
DRIP	809,484	28,190	261,832	306,564	11,264	1,417,334
<b>Redemptions</b>	(2,097,981)	-	(169,972)	(10,096,091)	-	(12,364,044)
<b>Balance,</b>						
<b>December 31, 2019</b>	<b>61,587,618</b>	<b>1,326,127</b>	<b>43,367,193</b>	<b>55,103,958</b>	<b>1,987,506</b>	<b>163,372,402</b>
<b>Issuance</b>						
Accredited investor	-	-	-	256,093	-	256,093
DRIP	100,548	8,468	35,124	44,049	1,695	189,884
<b>Redemptions</b>	(143,856)	-	(30,645)	(15,623)	-	(190,124)
<b>Balance,</b>						
<b>December 31, 2020</b>	<b>61,544,310</b>	<b>1,334,595</b>	<b>43,371,672</b>	<b>55,388,477</b>	<b>1,989,201</b>	<b>163,628,255</b>

**Equicapita Income Trust**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

\$	Preferred	Preferred Ext	Preferred B	Preferred C	Preferred D	Total
Annual preferred return	10%	10.25%	9%	8%	7%	
Balance,						
December 31, 2018	62,611,871	1,297,937	33,275,333	62,916,694	1,946,242	162,048,077
Issuance						
Offering memorandum	-	-	-	50,000	-	50,000
Accredited investor	263,157	-	10,000,000	1,927,771	-	12,190,928
Employee compensation	-	-	-	-	30,000	30,000
DRIP	809,484	28,190	261,832	306,564	11,264	1,417,334
Redemption	(2,097,981)	-	(169,972)	(10,096,091)	-	(12,364,044)
Change in net assets attributable to preferred units	(356)	-	(245)	(312)	(11)	(924)
<b>Balance, December 31, 2019</b>	<b>61,586,175</b>	<b>1,326,127</b>	<b>43,366,948</b>	<b>55,104,626</b>	<b>1,987,495</b>	<b>163,371,371</b>
Issuance						
Accredited investor	-	-	-	243,698	-	243,698
DRIP	102,489	8,637	35,828	44,933	1,729	193,616
Redemption	(143,858)	-	(30,646)	(15,623)	-	(190,127)
Change in net assets attributable to preferred units	(2,980,323)	(64,764)	(2,099,650)	(2,669,961)	(96,300)	(7,910,998)
<b>Balance, December 31, 2020</b>	<b>58,564,483</b>	<b>1,270,000</b>	<b>41,272,480</b>	<b>52,707,673</b>	<b>1,892,924</b>	<b>155,707,560</b>

## 9 COMMON UNITS

### 9.1 Authorized

The Trust may issue an unlimited number of common units. Each unitholder is entitled to one vote per unit. The common trust unitholders are not entitled to distributions. All units are redeemable on demand by the unitholder with the redemption price determined as the lesser of the fair market value of such redemption unit as at the date which such redemption unit was tendered for redemption and \$1.00 per unit. The market value is determined solely by the Administrator of the Trust. In the event of a liquidation or dissolution of the Trust, aside from the return of capital, holders of Common Trust Units are not entitled to participate in any other distribution.

### 9.2 Issued and Outstanding

The Trust has issued four common units to management of the Administrator for gross proceeds of \$4 under a private placement.

Equicapita Income Trust  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019

## 10 RISK MANAGEMENT

### 10.1 Financial Risk

In common with all other businesses, the Trust is exposed to risks that arise from its use of financial instruments, such as credit risk, liquidity risk and market risk. The Trustees have set out to mitigate risk through the legal structure of the Trust and its investments. Continuous monitoring of the Trust and its related companies is performed to ensure compliance with the Trust's objectives and maintenance of capital.

There have been no substantive changes in the Trust's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years.

#### 10.1.1 Credit risk

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk is as follows:

\$ As at December 31	2020	2019
Cash	611	1,777
Accounts receivable	5,603	5,603
Distributions receivable	-	1,857,914
Redemptions receivable	10,000	26,777
Due from related parties	7,027	899

The Trust's credit risk associated with distributions receivable and redemptions receivable are directly related to the ability of the Partnership to pay its obligations to the Trust. The Trust monitors the activities of the Partnership and the related parties. All amounts are due within one year.

#### 10.1.2 Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they are due. The Trust's approach to mitigating liquidity risk is to closely monitor its investment in the Partnership and underlying investments to support declaration of distributions and other required outflows when they are due.

The following are the contractual maturities of financial liabilities at December 31, 2020:

\$	< 1 year	1-3 years	Thereafter	Total
Accounts payable and accrued liabilities	14,324	-	-	14,324
Redemptions payable	10,000	-	-	10,000
Common trust unit liability	-	-	4	4
Preferred trust unit liability	120,000	360,000	155,227,560	155,707,560

Equicapita Income Trust  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019

The following are the contractual maturities of financial liabilities at December 31, 2019:

\$	< 1 year	1-3 years	Thereafter	Total
Accounts payable and accrued liabilities	8,914	-	-	8,914
Distributions payable	1,858,362	-	-	1,858,362
Redemptions payable	26,777	-	-	26,777
Common trust unit liability	-	-	4	4
Preferred trust unit liability	160,700	360,000	162,850,671	163,371,371

## 11 PRIOR YEAR COMPARATIVE INFORMATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

## 12 SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Trust issued 3,152,585 Preferred Trust Units, series B for gross proceeds of \$3,000,000 and 5,254,308 Preferred Trust Units, series C for gross proceeds of \$5,000,000. The Trust subsequently advanced proceeds of \$8,000,000 to the Partnership.



**Equicapita Income L.P.**

**Financial Statements**

**For the years ended December 31, 2020 and 2019**





Tel: 403 266 5608  
Fax: 403 233 7833  
[www.bdo.ca](http://www.bdo.ca)

BDO Canada LLP  
903 - 8<sup>th</sup> Avenue SW, Suite 620  
Calgary AB T2P 0P7  
Canada

---

## Independent Auditor's Report

---

To the Unitholders of Equicapita Income L.P.

### Opinion

We have audited the financial statements of Equicapita Income L.P. (the Entity), which comprise the *statement of financial position* as at December 31, 2020, and the *statement of net income (loss) and comprehensive income (loss)*, *statement of changes in partners' deficit and cash flow statement* for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at *December 31, 2020*, and its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards*.

### Basis for Opinion

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Equicapita Income L.P.  
Statements of Financial Position  
As at December 31, 2020 and 2019

\$ As At	Notes	2020	2019
<b>Assets</b>			
<b>Current Assets</b>			
Cash and restricted cash		1,823	2,459
Interest receivable	5, 11	648,847	2,567,050
Notes receivable - current	5, 12	120,000	160,700
Due from related parties	11	10	9,440
		<b>770,680</b>	2,739,649
Notes receivable	5, 12	155,828,128	152,548,638
Investment in subsidiary	6, 12	43,456,391	54,002,573
<b>Total Assets</b>		<b>200,055,199</b>	209,290,860
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		62,063	57,144
Distributions payable	11	-	2,204,584
Redemptions payable	11	10,000	26,777
Promissory note interest payable	8, 11	648,847	362,466
Preferred units - current	7, 12	120,000	160,700
Due to related parties	11	165,661	170,675
Promissory notes payable	8, 12	4,591,012	6,750,000
		<b>5,597,583</b>	9,732,346
Due to related parties	11	5,962,383	5,955,511
Special limited partner contribution	9, 12	10	10
Preferred units	7, 12	188,495,222	193,602,992
<b>Total Liabilities</b>		<b>200,055,198</b>	209,290,859
<b>Partners' Equity</b>			
Common units	10	1	1
<b>Total Partners' Equity</b>		<b>1</b>	1
<b>Total Liabilities and Equity</b>		<b>200,055,199</b>	209,290,860

Subsequent events

14

See accompanying notes to the financial statements.

Approved by Equicapita Income GP Ltd, as Administrator

"signed" Michael Cook, Directors

"signed" Stephen Johnston, Director

Equicapita Income L.P.  
**Statements of Net Income (Loss) and Comprehensive Income (Loss)**  
For the Years Ended December 31, 2020 and 2019

\$	Notes	2020	2019
<b>Revenue</b>			
Interest income	11	512,614	13,188,956
Other income		3,100	4,810
Gain on redemption of preferred units		26,614	69,051
		<b>542,328</b>	<b>13,262,817</b>
<b>Expenses</b>			
Management and distribution fees	11	2,305,137	1,982,343
General and administrative		69,657	131,116
Reimbursed expenses	11	(2,374,794)	(2,113,459)
		-	-
<b>Net Revenue</b>		<b>542,328</b>	<b>13,262,817</b>
<b>Finance Expense</b>			
Distribution expense	7	-	12,860,301
Interest expense		512,614	362,466
Change in unrealized (gain) loss on fair value of investment	6,12	10,546,182	(2,971,679)
		<b>11,058,796</b>	<b>10,251,088</b>
<b>Net Income (Loss) and Comprehensive Income (Loss)</b>		<b>(10,516,468)</b>	<b>3,011,729</b>

See accompanying notes to the financial statements.

Equicapita Income L.P.  
**Statements of Changes in Partners' Equity**  
**For the Years Ended December 31, 2020 and 2019**

\$, except where noted		Common Units Outstanding #	Common Units	Retained Earnings (Deficit)	Total Partners' Equity
	Notes				
Balance, December 31, 2018		191,941,878	191,940	48,267,651	48,459,591
Net income and comprehensive income		-	-	3,011,729	3,011,729
Issuance of common A units	10	718,195	724	-	724
Issuance of common B units	10	890,273	890	-	890
Redemption of common A units	10	(98,589,869)	(98,589)	-	(98,589)
Redemption of common B units	10	(94,960,476)	(94,964)	-	(94,964)
Loss on redemption of common A and B units	10	-	-	(50,129,513)	(50,129,513)
Net income attributed to preferred unitholders	7	-	-	(1,149,867)	(1,149,867)
<b>Balance, December 31, 2019</b>		<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
Net loss and comprehensive loss		-	-	(10,516,468)	(10,516,468)
Net loss attributed to preferred unitholders	7, 12	-	-	10,516,468	10,516,468
<b>Balance, December 31, 2020</b>		<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>

See accompanying notes to the financial statements.

Equicapita Income L.P.  
**Statements of Cash Flows**  
For the Years Ended December 31, 2020 and 2019

\$	Notes	2020	2019
<b>Cash Flows from Operating Activities</b>			
Net income (loss)		(10,516,468)	3,011,729
Adjustments for:			
Change in unrealized loss (gain) on fair value of investment	6, 12	10,546,182	(2,971,679)
Gain on preferred unit redemption		(26,614)	(69,051)
Interest income	11	(512,614)	(13,188,956)
Distribution expense	7	-	12,860,301
Interest expense		512,614	362,466
Change in non-cash working capital		16,208	23,910
		<b>19,308</b>	<b>28,720</b>
<b>Cash Flows from (used in) Investing Activities</b>			
Investment in subsidiary	6	-	(1,614)
Promissory note receivable advances	5	(3,205,526)	(10,926,021)
Promissory note receivable repayments	5	160,487	48,231,023
Promissory note interest received		2,236,743	12,924,463
Change in non-cash working capital		323	-
		<b>(807,973)</b>	<b>50,227,851</b>
<b>Cash Flows from (used in) Financing Activities</b>			
Promissory note advance		-	2,250,000
Proceeds from issuance of preferred units	7	3,205,526	8,676,021
Redemption of preferred units	7	(163,582)	(4,648,174)
Distributions paid		(2,010,831)	(12,924,433)
Promissory note interest paid	8	(226,233)	-
Issuance of common units	10	-	1,614
Redemption of common units	10	-	(45,823,066)
Change in non-cash working capital		(16,851)	2,203,136
		<b>788,029</b>	<b>(50,264,902)</b>
<b>Net decrease in cash</b>		<b>(636)</b>	<b>(8,331)</b>
<b>Cash, beginning of year</b>		<b>2,459</b>	<b>10,790</b>
<b>Cash, end of year</b>		<b>1,823</b>	<b>2,459</b>

See accompanying notes to the financial statements.



## **1 ORGANIZATION AND NATURE OF BUSINESS**

---

Equicapita Income L.P. (the Partnership) was formed under the Partnership Act (Alberta) on April 23, 2013. The Partnership has been established with the objective of providing its Limited Partners with an opportunity to maximize long-term total returns on their investments in the Partnership through both capital appreciation and income generation on assets of the Partnership, principally through investing in a diversified portfolio of operating businesses through Equicapita Investment Corp. (EIC), a wholly owned subsidiary. The Partnership is managed by the Administrator, Equicapita Income GP Ltd. (the General Partner). A majority of the limited partnership units are owned by Equicapita Income Trust (the Trust), which controls the Partnership.

The head office of the Partnership is located at Suite 2210, 8561 – 8A Avenue SW, Calgary, Alberta, T3H 0V5.

## **2 BASIS OF PREPARATION**

---

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee.

These financial statements were authorized for issue by the Administrator on April 1, 2021.

### **2.2 Basis of Measurement**

These financial statements are prepared on a going concern basis, using the historical cost convention, except for the revaluation of certain financial assets and liabilities to fair value disclosed in Note 3. The accounting policies described in Note 3 have been applied consistently to all years presented in these financial statements, with the exception of that as noted below under Extension Vote and Investment Entity Status.

### **2.3 Functional and Presentation Currency**

These financial statements are presented in Canadian dollars, the Partnership's functional currency. All information is presented in whole dollars except the number of units or the weighted average number of units which are presented in whole numbers.

### **2.4 Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make estimates and use judgement regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. By their nature, estimates are subject to measurement uncertainty. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Estimates and assumptions are reviewed on a continuous basis by management. Changes to accounting estimates are recognized in the period in which those estimates are revised and recorded in future periods. Significant estimates and judgements used in the preparation of the financial statements are described in Note 4.

### **2.5 Comparative Period Balances**

Certain prior year amounts have been reclassified for consistency with the current year presentation. Adjustments have been made to the statements of financial position, Note 5 – Promissory Notes Receivable, Note 11 – Related Party Transactions and Note 13 – Risk Management.

### **2.6 Extension Vote and Investment Entity status**

On March 15, 2019, at a joint Special Meeting of the preferred unitholders' and the preferred and common unitholders of the Partnership, (the "Extension"), the unitholders of the Trust approved an amendment to the Declaration of Trust, which extended the redemption dates of the outstanding Preferred Trust Units and Partnership Units (collectively the "Units") a further five years. These changes were effective March 22, 2019 and included the following:

**Equicapita Income L.P.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

---

- the investment term for the Units was extended an additional five years. The General Partner will use reasonable commercial efforts to seek a commercially appropriate liquidity event as soon as reasonably practicable subsequent to March 31, 2024.
- all common units ("Common LP Units") of the Partnership (other than one Common LP Unit held by the General Partner) were redeemed by the Partnership for \$0.26 per Common LP Unit.
- the unitholders of the Partnership would receive a Preferred Return, which is a cumulative fixed distribution at the same rate as the holders' existing Units.
- a management fee of 1.3% per annum payable by the Partnership to Equicapita Services L.P. was established. The management fee is based on the gross purchase price paid by investors for preferred units of the Partnership, which includes Partnership units owned by the Trust;
- unitholders of the Partnership became entitled to 80% of the remaining value of the Partnership after payment of return of capital and preferred return, (the Liquidation Value) with the remaining 20% payable to the special limited partner, 2181376 Alberta Ltd. on a liquidation event; The Trust, by virtue of its ownership of Partnership units will be entitled to its proportionate share of the Liquidation Value of the Partnership units;
- modified the redemption terms of the Units such that
  - the Units may be redeemed by the Trust and/or the Partnership at a redemption price equal to the market value of such unit, being a price determined on the assumption that the assets of the Trust and the Partnership were sold for their fair market value and the proceeds therefrom are distributed in accordance with the declaration of trust and the partnership agreement; and
  - a unitholder may redeem a Unit at a redemption price equal to the lesser of (i) the market value of such unit and (ii) \$1.00 minus any amount distributed in respect of such Unit, in each case multiplied by 90%; and
- remove the existing cap on indebtedness.

Effective March 22, 2019, the Partnership was deemed to be controlled by the Trust, by virtue of the redemption of the common LP units. The Trust and Partnership meet the definition of an investment entity, as defined by IFRS 10 *Consolidated Financial Statements* ("IFRS 10") resulting in both entities accounting for their investments at fair value. The Partnership measures and evaluates the performance of its investment in EIC on a fair value basis. As a result of this change in status, the assets and liabilities of EIC have been derecognized from the Partnership's balance sheet, and the Partnership's investment in EIC has been recognized at fair value.

### **3 SIGNIFICANT ACCOUNTING STANDARDS**

---

The accounting policies set out below have been applied consistently throughout the periods presented in these financial statements.

#### **3.1 Accounting Standards Adopted in the Current Year**

The following standards were adopted on January 1, 2020 by the Partnership. There were no retrospective adjustments required on adoption of these standards.

In October 2018, IASB issued amendments to IAS 1, *Presentation of Financial Statements* (IAS 1), and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) to provide further clarification on the definition of materiality, specifying that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments resulted in consequential amendments to other IFRSs to use a consistent definition of materiality throughout IFRSs and the conceptual framework for financial reporting. These amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after January 1, 2020.

In September 2019, the IASB issued amendments to IFRS 9, *Financial Instruments* (IFRS 9), IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), and IFRS 7, *Financial Instruments: Disclosures* (IFRS 7), Interest Rate Benchmark Reform, detailing the fundamental reform of major interest rate benchmarks being undertaken globally to replace or redefine Inter-Bank Offered Rates (IBORs) with alternative nearly risk-free benchmark rates. These amendments are effective for annual reporting periods beginning on or after January 1, 2020 and there is significant uncertainty over the timing of when the replacements for IBORs will be effective and what those replacements will be.

### 3.2 Significant Accounting Policies

#### a) Basis of consolidation

Pursuant to the Extension (Note 2), the Partnership meets the definition of an investment entity under IFRS 10 and consequently accounts for its wholly owned subsidiary, EIC on a fair value basis through profit and loss (FVTPL) in accordance with IFRS 9 Financial Instruments. These financial statements are not prepared on a consolidated basis. The Partnership invests in and controls EIC.

#### b) Cash

Cash consists of amounts held with financial institutions.

#### c) Income taxes

As a partnership, the income tax consequences are deemed to be those of the partners individually, and, as such, are not reflected in the financial statements.

#### d) Financial instruments

##### Recognition and initial measurement

Financial instruments are initially measured at fair value and subsequently measured according to their classification as noted below. Transaction costs in respect of an asset or liability not recorded at fair value through net earnings are added to the initial carrying amount. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows.

The classification of financial liabilities depends on the purpose for which the financial liabilities were incurred and their characteristics. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. On initial recognition, financial assets are classified in the following measurement categories: amortized cost, FVTPL, or fair value through other comprehensive income and loss (FVOCI).

##### Classification and subsequent measurement

Except in very limited circumstances, the classification of financial assets and financial liabilities are not changed subsequent to initial recognition. If a classification change is made, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### Financial assets:

Classification	Subsequent measurement
Amortized cost	Amortized cost, using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
FVTPL	Net gains and losses, including interest or dividend income are recognized in profit or loss.
FVOCI	Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.

**Financial liabilities:**

<b>Classification</b>	<b>Subsequent measurement</b>
Amortized cost	Amortized cost, using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
FVTPL	Net gains and losses, including interest expense are recognized in profit or loss. These financial liabilities are held-for trading, derivatives or designated as derivative on initial measurement.

Modifications to financial liabilities measured at amortized cost occur when the cash flows are modified without resulting in derecognition. The carrying value of the liability is adjusted to the present value of the modified cash flows, discounted at the financial liability's original effective interest rate, with a resulting gain or loss recognized in comprehensive income and loss.

**Impairment of financial assets**

The Partnership recognizes an allowance for expected credit losses (ECL) on financial assets measured at amortized cost using a three-stage approach. The Partnership measures loss allowance at an amount equal to 12 months of expected losses for performing financial assets if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The determination of a significant increase in credit risk considers different factors and varies by nature of investment. The Partnership assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due interest payment or maturity date, and borrower specific criteria as identified by management. The Partnership considers a financial asset to be credit impaired when the borrower is more than 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Partnership no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Partnership has commenced enforcement remedies available to it under its contractual agreements.

ECL's are probability-weighted estimate of credit losses, which are measured at the present value of all cash shortfalls (the difference between the cash flows due to the Partnership and the cash flow that the Partnership expects to receive). ECL's are discounted at the effective interest rate of the financial asset. For financial assets measured at amortized cost, the ECL's are deducted from the asset's carrying amount and recognized in the statements of comprehensive income and loss.

**3.3 Other future adoptions**

The Partnership is assessing the following amendments to IFRS but does not expect adoption of these amendments to have a significant impact on the financial results or note disclosures within the financial statements.

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability, income or expense or the information that entities disclose about those items. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted.

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018-2020*. The pronouncement contains amendments to four International Financial Reporting Standards: 1) IFRS 1- *First Time Adopter*, 2) IFRS 9 - Fees in the "10 percent" test for derecognition of financial liabilities, 3) IFRS 16 - *Lease Incentives* and 4) IAS 41 - *Taxation in Fair Value Measurements*. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

In May 2020, the IASB issued *Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

#### **4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

---

The preparation of financial statements in conformity with IFRS requires management to make estimates and use judgement regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates and judgements are subject to change based on experience and new information, and by their nature, are subject to measurement uncertainty. Accordingly, actual results may differ from the estimated amounts as future confirming events occur.

In January 2020 the World Health Organization declared the coronavirus (COVID-19) outbreak a Public Health Emergency and on March 10, 2020 it was declared a global pandemic (the Pandemic). Actions taken around the world to slow the spread of COVID-19 included government-imposed restrictions on travel, quarantines and forced closures of certain businesses. These measures caused significant disruption to business operations and increased commercial uncertainty which includes but is not limited to, a decline in customer demand, disruption in the supply chain, the health and availability of the workforce, the timing and certainty of certain capital expenditures and major projects, the results of financing efforts and an increase in credit risk.

The financial results of the Partnership's investment in EIC were impacted by the outbreak of the COVID-19 pandemic. The Partnership, through its ownership and influence over EIC, introduced measures, procedures, and protocols to foster the health and safety of its employees, vendors, and customers. These enhanced protocols included: travel restrictions, workplace hygiene practices, employee absence tracking, additional personal protective equipment for essential workers, limiting access to facilities, and alternative work options for employees where possible, such as working from home. The Pandemic also resulted in a decrease of revenue and cash flows in EIC for fiscal 2020 which was mitigated, in part, by the diversified nature of EIC's operations across various industries and provinces, and by the Government of Canada's introduction of various subsidy programs. In addition, EIC amended its credit facility which relaxed certain financial covenants up until June 30, 2021, and secured additional funding from the Partnership through the issuance of new partnership units. The extent to which COVID-19 may impact EIC's operations, financial position and performance have been considered in management's estimates and the assumptions at period end have been reflected in the results with any significant changes described in the relevant financial statement note. The Partnership and Trust suspended quarterly distributions beginning March 31, 2020 as the impact of COVID-19 on EIC's operations financial position and performance remains uncertain.

Market conditions began to improve over the later half of 2020, as countries began reopening their economies, but recent resurgence of variant COVID-19 cases in certain geographical locations may result in further restrictions. The impact of the Pandemic continues to present challenges to EIC's operations and business environment, and the Partnership can not reasonably estimate the length or severity of the Pandemic but continues to monitor its impact to inform appropriate strategic and tactical business decisions.

Significant estimates and judgements made by management in the preparation of these financial statements are as follows:

##### **4.1 Investment Entity Status**

Judgement was required when determining whether the Partnership meets the definition of an investment entity which IFRS 10 defines as an entity that: (i) obtains funds from one or more investors for the purpose of providing those investors with investment management services; (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

When determining whether the Partnership met the definition of an investment entity under IFRS 10, management applied significant judgement when assessing whether the Partnership measures and evaluates the performance of its investment in EIC on a fair value basis. The Partnership invests exclusively in EIC, which controls a number of subsidiaries that were formed for the purpose of acquiring a diversified portfolio of operating businesses to provide long term capital appreciation and income generation to unitholders. The assessment of whether the Partnership, the parent company of EIC, meets the definition of an investment entity was performed on an aggregate basis with these subsidiaries.

**Equicapita Income L.P.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

#### **4.2 Fair Value of Financial Instruments**

The fair value of a financial instrument is determined, whenever possible, based on observable market data. If not available, the Partnership uses third-party models and valuation methodologies that utilize observable market data to estimate the fair value of financial instruments. In addition to market information, the Partnership incorporates transaction-specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk.

#### **4.3 Impairment of Financial Assets**

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, management rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

### **5 PROMISSORY NOTES RECEIVABLE**

The Partnership holds the following notes receivable from EIC. The notes receivable balances include cash advances to EIC and reinvestment of cash distributions at the Trust level, through the dividend reinvestment plan ("DRIP"), which are reinvested in the Partnership and subsequently invested in EIC. The notes receivable are unsecured, due on demand and subordinated to the credit facility of EIC. Interest accrues daily and is payable on or before 45 days following the end of each interest payment date, which is defined as the last day of March, June, September and December of each year.

During the year ended December 31, 2019, the Partnership redeemed \$10,000,000 of the 8% notes receivable and the proceeds were reinvested into the 9% notes receivable on a non-cash basis.

At December 31, 2020, the Partnership had \$648,847 (December 31, 2019 - \$2,567,050) of interest receivable from EIC. Effective December 2019, the interest rates on the notes receivable were reset to 0%, with the exception of a \$4,591,012 (December 31, 2019 - \$6,750,000) promissory note included in the 8% series notes receivable.

Notes receivable balances at December 31, 2020 and 2019 were:

\$	Interest Rates					Total
	10%	10.25%	9%	8%	7%	
Balance, December 31, 2018	84,528,405	1,297,937	43,346,311	52,976,957	1,946,248	184,095,858
Advanced	-	-	-	15,396,021	30,000	15,426,021
Advanced - DRIP	810,175	28,190	262,197	306,655	11,265	1,418,482
Redeemed	(23,075,422)	-	(11,017,765)	(13,645,130)	(492,706)	(48,231,023)
<b>Balance, December 31, 2019</b>	<b>62,263,158</b>	<b>1,326,127</b>	<b>32,590,743</b>	<b>55,034,503</b>	<b>1,494,807</b>	<b>152,709,338</b>
Advanced	-	-	-	3,205,526	-	3,205,526
Advanced - DRIP	102,456	8,637	35,886	45,043	1,729	193,751
Redeemed	(122,783)	-	(25,183)	(12,521)	-	(160,487)
<b>Balance, December 31, 2020</b>	<b>62,242,831</b>	<b>1,334,764</b>	<b>32,601,446</b>	<b>58,272,551</b>	<b>1,496,536</b>	<b>155,948,128</b>
<b>Less: Current</b>						<b>120,000</b>
<b>Long-term</b>						<b>155,828,128</b>



**Equicapita Income L.P.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

## **6 INVESTMENT IN SUBSIDIARY**

The Partnership owns all the issued and outstanding common shares of EIC. The Partnership accounts for its investment at FVTPL (Note 12).

	# Shares	\$ Book value	\$ Fair Value
Balance, December 31, 2018	191,940	191,940	51,029,280
Purchased	1,614	1,614	1,614
Change in unrealized gain on fair value (Note 12)	-	-	2,971,679
<b>Balance, December 31, 2019</b>	<b>193,554</b>	<b>193,554</b>	<b>54,002,573</b>
Change in unrealized loss on fair value (Note 12)	-	-	(10,546,182)
<b>Balance, December 31, 2020</b>	<b>193,554</b>	<b>193,554</b>	<b>43,456,391</b>

## **7 PREFERRED PARTNERSHIP UNITS**

### **7.1 Authorized**

An unlimited number of preferred units, preferred B units, preferred C units, preferred D units, and preferred E units (collectively Preferred Units) are authorized for issuance.

Holders of Preferred Units are entitled to one vote per unit but may only vote on matters related to the rights of the preferred unitholders. All Preferred Units are redeemable on demand by the unitholder or the Partnership. If the redemption is demanded by the Partnership, the redemption amount is the fair market value of such redemption unit as at the date of the redemption notice. If the redemption is demanded by the unitholder, the redemption price is the lesser of the fair market value of such redemption unit at the date upon which such redemption unit was tendered for redemption and \$1.00 per unit minus an amount distributed in respect of the Preferred Units, multiplied by 90%. The Preferred Units are considered to be financial liabilities due to their redemption features and are measured at FVTPL.

Cash redemptions on the Preferred Units are limited to \$10,000 per month which may be adjusted at the discretion of the Administrator. Any redemption requested in excess of that amount may be retained as an investment and submitted to be redeemed in a subsequent period, repaid through the issuance of a redemption note or settled via distribution of Trust property which are not due until five years from the Preferred Unit's issuance date, or March 31, 2024.

Unitholders are entitled to receive an annual cumulative preferred return (Preferred Return) per series, per Preferred Unit and are entitled to 80% of the remaining value of the Partnership (after payment of the return of capital and the Preferred Return) on a liquidation event. The Preferred Return is calculated quarterly and distributions are declared by the Administrator and paid based on the distributable income of the Partnership. If a distribution is not paid in full, the unpaid amount is compounded annually and must be paid before any performance participation payments are made to the Partnership's management on a liquidation event. During the year ended December 31, 2020, the Partnership declared distribution expense payable of \$nil (December 31, 2019 - \$12,860,301). The accumulated, unpaid Preferred Return for the year ended December 31, 2020 was \$22,530,402 (December 31, 2019 - \$4,390,763).

Unitholders of the Trust may choose to receive the distribution in the form of cash or by way of DRIP whereby the distribution is in the form of additional Preferred Trust Units. These distributions are reinvested by the Trust in additional Preferred Units of the Partnership.

The Preferred Return per series, per unit is preferred units (PLP) \$0.10; preferred extension units (PLP-Ext) \$0.1025; preferred B units (PLP B) \$0.09; preferred C units (PLP C) \$0.08 and preferred D units (PLP D).

**Equicapita Income L.P.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

During the year ended December 31, 2019, the Partnership redeemed 10,000,000 PLP C units for \$1.00 per unit, in-kind and the proceeds were reinvested into PLP B units for \$1.00 per unit, and redeemed 263,157 PLP units for \$1.00 in-kind, and the investor reinvested the amount in the Preferred Trust Units for \$1.00.

During the year ended December 31, 2020, \$2,158,988 of promissory notes due to Directors of the General Partner were converted to Preferred Units, series C for \$1.00 per Preferred Unit and as at December 31, 2020, the Partnership has \$4,591,012 in convertible promissory notes payable outstanding (Note 8).

## 7.2 Issued and outstanding

Number of Units	PLP	PLP-Ext	PLP B	PLP C	PLP D	Total
Balance, December 31, 2018	85,664,529	1,297,937	33,334,976	62,976,566	1,946,242	185,220,250
Issuance						
Offering memorandum	-	-	-	49,020	-	49,020
Accredited investor	263,157	-	10,000,000	8,596,021	-	18,859,178
Employee compensation	-	-	-	-	30,000	30,000
DRIP	808,861	28,190	262,001	306,451	11,264	1,416,767
Redemptions	(2,361,138)	-	(229,842)	(10,155,961)	-	(12,746,941)
<b>Balance, December 31, 2019</b>	<b>84,375,409</b>	<b>1,326,127</b>	<b>43,367,135</b>	<b>61,772,097</b>	<b>1,987,506</b>	<b>192,828,274</b>
Issuance						
Accredited investor	-	-	-	5,380,479	-	5,380,479
DRIP	100,379	8,468	35,182	44,160	1,695	189,884
Redemptions	(143,856)	-	(30,645)	(15,623)	-	(190,124)
<b>Balance, December 31, 2020</b>	<b>84,331,932</b>	<b>1,334,595</b>	<b>43,371,672</b>	<b>67,181,113</b>	<b>1,989,201</b>	<b>198,208,513</b>

\$	PLP	PLP-Ext	PLP B	PLP C	PLP D	Total
Balance, December 31, 2018	85,448,596	1,297,937	33,335,202	62,976,659	1,946,248	185,004,642
Issuance						
Offering memorandum	-	-	-	50,000	-	50,000
Accredited investor	263,157	-	10,000,000	8,596,021	-	18,859,178
Employee compensation	-	-	-	-	30,000	30,000
DRIP	809,040	28,190	262,001	306,451	11,264	1,416,946
Redemptions	(2,361,138)	-	(229,842)	(10,155,961)	-	(12,746,941)
Change in net assets	503,145	7,908	258,605	368,357	11,852	1,149,867
<b>Balance, December 31, 2019</b>	<b>84,662,800</b>	<b>1,334,035</b>	<b>43,625,966</b>	<b>62,141,527</b>	<b>1,999,364</b>	<b>193,763,692</b>
Issuance						
Accredited investor	-	-	-	5,364,514	-	5,364,514
DRIP	102,640	8,637	35,660	44,951	1,723	193,611
Redemptions	(143,858)	-	(30,645)	(15,624)	-	(190,127)
Change in net assets	(4,371,378)	(72,672)	(2,358,474)	(3,605,781)	(108,163)	(10,516,468)
<b>Balance, December 31, 2020</b>	<b>80,250,204</b>	<b>1,270,000</b>	<b>41,272,507</b>	<b>63,929,587</b>	<b>1,892,924</b>	<b>188,615,222</b>
<b>Less: Current</b>						<b>120,000</b>
<b>Long-term</b>						<b>188,495,222</b>

## **8 PROMISSORY NOTES PAYABLE**

---

During the year ended December 31, 2019, the Partnership issued \$6,750,000 in convertible promissory notes payable to the Directors of the General Partner. The promissory notes may be converted to Preferred Units, series C at the option of the holder for \$1.00 per Preferred Unit. During the year ended December 31, 2020, \$2,158,988 of the promissory notes were converted to Preferred Units, series C for \$1.00 per Preferred Unit (note 7). As at December 31, 2020, the Partnership has \$4,591,012 in convertible promissory notes payable remaining.

The promissory notes are unsecured, due on demand and bear interest at 8% per annum, payable in arrears. The Partnership paid \$226,233 in interest during the year ended December 31, 2020 (December 31, 2019 - \$nil) and had \$648,847 of promissory note interest payable at December 31, 2020 (December 31, 2019 - \$362,466).

## **9 SPECIAL LIMITED PARTNER**

---

As part of the Extension, the special limited partner, which is a company controlled by common directors, contributed \$10 to the Partnership which entitles the special limited partner to a carried interest of 20% of the realized net gains of the Partnership after the preferred partnership units have received their Preferred Return (which includes any accumulated unpaid Preferred Return – Note 7) and the return of capital invested. At December 31, 2020 and 2019, no amounts were recorded for the carried interest obligation.

## **10 COMMON UNITS**

---

### **10.1 Authorized**

The Partnership has one common unit authorized for issuance. The common unit is entitled to receive, on a pro rata basis, residual or additional distributions after payment of the preferential distributions on the Preferred Units.

Holders of the common unit are entitled to one vote per unit but may only vote on matters related to the rights of the common unitholders. The common unit is entitled to receive \$1.00 per common unit as a return of capital in the event of a liquidation and will not participate in any further distributions from the Partnership.

### **10.2 Issued and outstanding**

The Partnership did not issue common units during the year ended December 31, 2020. During the year ended December 31, 2019, the Partnership issued 718,195 common A units for proceeds of \$724 and issued 890,273 common B units for proceeds of \$890.

As part of the Extension, on March 22, 2019 the Partnership redeemed 98,589,869 common A units and 94,960,476 common B units for proceeds of \$0.26 per unit for a total of \$50,303,066, of which the Partnership paid \$45,823,066 in cash and issued promissory notes payable of \$4,500,000. The redemption resulted in a charge to Partners' Equity of \$50,129,513. All the common B units were held by the Directors of the Administrator of the Partnership. Subsequent to the Extension, future growth in the Partnership is attributed to the Preferred Units.

Subsequent to the Extension, future growth in the Partnership is attributed to the Preferred Units.

Equicapita Income L.P.  
Notes to the Financial Statements  
For the Years Ended December 31, 2020 and 2019

## 11 RELATED PARTY TRANSACTIONS

### 11.1 Related Party Balances

\$ As at	Notes	December 31, 2020	December 31, 2019
Due from related parties	(i)	10	9,440
Interest receivable	(ii)	648,847	2,567,050
Distributions payable	(iii)	-	(2,204,584)
Interest payable	(iv)	(648,847)	(362,466)
Redemptions payable	(v)	(10,000)	(26,777)
Due to related parties	(vi)	(6,128,044)	(6,126,186)
Partnership units issued to the Trust		(155,707,560)	(163,371,371)

- (i) Due from related parties at December 31, 2020 is \$10 (December 31, 2019 - \$9,440). These amounts are owed from companies with common directors for an investment in the Partnership and operating expenses paid by the Partnership on behalf of these entities by virtue of an expense reimbursement agreement. These balances are unsecured, non-interest bearing and made on normal trade terms.
- (ii) Interest receivable is due from EIC and represents the accrued interest on notes receivable.
- (iii) Distributions payable at December 31, 2019 includes \$1,857,914 owing to the Trust.
- (iv) Interest payable is calculated on the \$4,591,012 (December 31, 2019 - \$6,750,000) promissory notes payable to the Directors of the General Partner (Note 7).
- (v) Redemptions payable are due to the Trust and relate to redemptions of the Preferred Units (Note 7).
- (vi) Due to related parties are amounts owing to entities with common directors and represent operating expenses paid by those entities by virtue of an expense reimbursement agreement, and balances related to promissory notes payable. These balances are unsecured, non-interest bearing and made on normal trade terms. Of the \$6,128,044 due to related parties, \$5,962,383 has been classified as long-term as EIC has waived the amount owing for the next twelve months.

### 11.2 Related party income and expenses

During the year ended December 31, 2020, the Partnership earned interest income of \$512,614 (December 31, 2019 - \$13,188,956) from EIC and incurred management and distribution fee expense of \$2,305,137 (December 31, 2019 - \$1,982,343) which was paid to a related entity, controlled by directors of the Administrator. The Partnership was reimbursed by EIC, in accordance with a cost reimbursement agreement for expenses incurred for the year ended December 31, 2020 of \$2,374,794 (December 31, 2019 - \$2,113,459).

## 12 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

The estimated fair values of financial instruments as at December 31, 2020 and 2019 are based on relevant market prices and information available as at the period end. Financial instruments measured at fair value are allocated within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Transfers between the three levels are recognized on the date of the event or change in circumstances that caused the transfer. There were no transfers between the three levels of the fair value hierarchy during the year ended December 31, 2020 and 2019. The three levels of the fair value hierarchy are as follows:

Level 1 - quoted market prices in an active market for identical assets or liabilities at the measurement date.

**Equicapita Income L.P.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

Level 2 - observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets and liabilities in active markets, quote prices for identical assets or liabilities that are not active, or other inputs that are observable directly or indirectly; and

Level 3 - unobservable inputs for the assets and liabilities that reflect the reporting entity's own assumptions and are not based on observable market data.

The financial assets and financial liabilities held at December 31, 2020 and 2019, were as follows:

\$	Fair Value Hierarchy Level	Classification	December 31, 2020	December 31, 2019
<b>Financial assets</b>				
Notes receivable	1	Amortized cost	<b>155,948,128</b>	152,709,338
Investment in subsidiary	3	FVPTL	<b>43,456,391</b>	54,002,573
<b>Financial liabilities</b>				
Promissory notes payable	1	Amortized cost	<b>(4,591,012)</b>	(6,750,000)
Special limited partner	3	FVTPL	<b>(10)</b>	(10)
Preferred partnership units	3	FVTPL	<b>(188,615,222)</b>	(193,763,692)

The carrying values of interest receivable, due from related parties, accounts payable and accrued liabilities, distributions payable, redemptions payable, promissory note interest payable and due to related parties approximates their fair values due to their short-term nature.

Level 3 financial assets measured at fair value with significant unobservable inputs were recognized in the statements of comprehensive income as change in fair value during the years ended December 31, 2020 and December 31, 2019. The valuation of Level 3 financial assets and liabilities measured at fair value with significant unobservable inputs is determined quarterly utilizing company-specific considerations, available market data of comparable public companies, if available, and current economic and industry conditions. During the year ended December 31, 2019, the preferred partnership units were reclassified in the fair value hierarchy from level 1 to level 3 and remeasured at FVTPL which resulted in a net charge of \$1,821,813 to equity.

The Administrator of the Partnership is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Administrator at least once every quarter. The Administrator's management consists of individuals who are knowledgeable and have experience in the fair value techniques for the investments held by the Partnership. The Administrator decides on the appropriate valuation methodologies for new investments and contemplates changes in the valuation methodology for existing investments. Additionally, the Administrator analyzes the movements in each investment's value, which involves assessing the validity of the inputs applied in the valuation.

At December 31, 2020 and 2019, the fair value measurement for the investment in subsidiary was primarily determined by the underlying net asset value of EIC, which invests in a diversified portfolio of owner-managed entities. A change to reasonably possible alternative estimates and assumptions used in the valuation of non-public investments may have a significant impact on the fair values calculated for these financial assets.

**Equicapita Income L.P.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

Details of the financial assets and financial liabilities measured at fair value with significant unobservable inputs (Level 3) were as follows:

\$	Investment in subsidiary	Preferred Units
Balance – December 31, 2018	51,029,280	185,004,642
Acquired during the year	1,614	20,356,125
Redeemed during the year	-	(12,746,941)
Change in fair value recognized in net income	2,971,679	2,971,679
Change in fair value recognized in equity	-	(1,821,813)
<b>Balance – December 31, 2019</b>	<b>54,002,573</b>	<b>193,763,692</b>
Issued during the period	-	5,558,125
Redeemed during the period	-	(190,127)
Change in net assets recognized in net loss	(10,546,182)	(10,516,468)
<b>Balance – December 31, 2020</b>	<b>43,456,391</b>	<b>188,615,222</b>
<b>Unrealized change in fair value of assets and liabilities at</b>		
December 31, 2019	2,971,679	1,149,866
<b>December 31, 2020</b>	<b>(10,546,182)</b>	<b>(10,516,468)</b>

The Partnership utilized the adjusted net asset method to derive the fair value of its investment in subsidiary by reference to the underlying fair value of EIC's portfolio companies net assets, using an income-based approach, by means of discounted cashflow corroborated with a comparable multiples approach. The discount rate and enterprise value multiples applied to the cashflow stream from the portfolio companies are significant unobservable inputs. The Partnership determined that the adjusted net asset method was the appropriate valuation method to be used, considering the value of the investment in the common shares of EIC is derived from the underlying investment in EIC's portfolio companies. The preferred partnership units fair value is determined by the net assets attributable to the units. Subsequent to the Extension, the preferred units are entitled to all future growth of the Partnership.

The following table presents the significant unobservable inputs used to value EIC's underlying private securities at December 31, 2020 and 2019 that impact the valuation of the Partnership's investment in subsidiary.

Investment	Valuation technique	Significant unobservable inputs	2020		2019	
			Range of inputs	Weighted average of inputs	Range of inputs	Weighted average of inputs
Common shares of EIC	Discounted cash flow	Weighted average cost of capital	9.0% - 10.0%	9.2%	8.5% - 9.5%	8.8%
		Adjusted EBITDA <sup>1</sup> multiple	10.0x – 10.5x	10.3x	9.3x – 9.8x	9.6x

<sup>1</sup> Adjusted EBITDA means earnings before interest, taxes, depreciation and amortization. Adjustments can include transition and restructuring expenses including severance payments, annualized pro-forma adjustments for acquisitions, impacts of purchase accounting and other similar amounts. Adjusted EBITDA is not defined under IFRS.

The fair value of the Partnership's investment in EIC would change at December 31, 2020 with the following changes in significant unobservable inputs, holding all other variables constant: 0.5% increase or decrease in the discount rate would decrease or increase the fair value by \$3,300,000; a 1% increase or decrease in EBITDA would increase or decrease total fair value by \$2,800,000; an increase or decrease of 0.25x of the comparable multiple would decrease or increase the total fair value by \$7,000,000 and an increase or decrease of 0.5% in capital expenditures as a % of EBITDA, would increase or decrease the fair value by \$2,400,000.



## 13 RISK MANAGEMENT

### 13.1 Financial Risks

The Partnership's activities expose it to a variety of financial risks that arise as a result of its operating and financing activities such as: credit risk; liquidity risk and market risk. The Partnership employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Partnership's business objectives and risk tolerance levels. While the Board of Directors of the Administrator has the overall responsibility for the establishment and oversight of the Partnership's risk management framework, management has the responsibility to administer and monitor these risks.

#### a) Credit risk

Credit risk is the risk of financial loss to the Partnership if a counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at December 31, 2020 and 2019 is as follows:

\$ As at	2020	2019
Interest receivable	648,847	2,567,050
Due from related party	10	9,440
Notes receivable	155,948,128	152,709,338

The Partnership has a concentration of credit risk with its subsidiary. The credit risk is managed by the Partnership through monitoring and directing the activities of the subsidiary.

#### b) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they become due. The Partnership manages liquidity risk by closely monitoring the activities of its subsidiary to ensure it will have sufficient liquidity to meet its liabilities when due. The following table represents the contractual maturities of the Partnership's financial liabilities:

\$ As at December 31, 2020	< 1 year	1-3 years	Thereafter	Total
Accounts payable and accrued liabilities	62,063	-	-	62,063
Redemptions payable	10,000	-	-	10,000
Promissory note interest payable	648,847	-	-	648,847
Due to related parties	6,128,044	-	-	6,128,044
Promissory notes payable	4,591,012	-	-	4,591,012
Preferred units	120,000	360,000	188,135,222	188,615,222

\$ As at December 31, 2019	< 1 year	1-3 years	Thereafter	Total
Accounts payable and accrued liabilities	57,144	-	-	57,144
Distributions payable	2,204,584	-	-	2,204,584
Redemptions payable	26,777	-	-	26,777
Promissory note interest payable	362,466	-	-	362,466
Due to related parties	6,126,186	-	-	6,126,186
Promissory notes payable	6,750,000	-	-	6,750,000
Preferred units	160,700	360,000	193,242,992	193,763,692

**c) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and commodity prices will affect the Partnership's net earnings or the value of financial instruments. The objective of the Partnership is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

**Interest rate risk:** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Partnership is exposed to interest rate risk through its investment in EIC related to the variable rate of interest on balances drawn under EIC's credit facility. The cash flows required to service the interest on the credit facility will fluctuate due to changes in market interest rates and will impact the availability of cash from EIC to pay its interest rate obligations to the Partnership. The Partnership's related party interest-bearing promissory notes at December 31, 2020 and 2019 are at fixed interest rates. Consequently, the Partnership is exposed to interest rate risk on its related party promissory notes.

**Currency risk:** Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Partnership's financial instruments are all denominated in Canadian dollars and are not exposed to currency risk.

**13.2 Capital Management**

The Partnership's objective in managing capital is to ensure it has sufficient working capital and access to sources of capital to finance its operations and to make investments through its subsidiary as opportunities present themselves. The Partnership manages its capital structure and makes changes to it in light of changes in economic conditions, opportunities for acquisitions and the risk characteristics of the underlying investments. The Partnership defines its capital as the aggregate of Preferred Units, promissory notes payable and Partners' deficit.

The Partnership has entered into an agreement with the Trust whereby the Trust will access capital markets to raise capital to be invested in the Partnership. There is a restriction on the amount of redemption payments related to the Preferred Partnership Units (Note 7).

**14 SUBSEQUENT EVENTS**

---

Subsequent to December 31, 2020, the Partnership issued 3,152,585 Preferred Trust Units, series B for gross proceeds of \$3,000,000 and 5,254,308 Preferred Trust Units, series C for gross proceeds of \$5,000,000. The Partnership received proceeds from the Trust of \$8,000,000 and subsequently advanced those funds to EIC.

Subsequent to December 31, 2020, the Partnership issued 3,290,559 Preferred Trust Units, series C for gross proceeds of \$3,290,559, which represented the conversion of a portion of the convertible promissory notes payable issued to the Directors of the General Partner of the Partnership.



**Equicapita Investment Corp.**

**Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**



Tel: 403 266 5608  
Fax: 403 233 7833  
[www.bdo.ca](http://www.bdo.ca)

BDO Canada LLP  
903 - 8<sup>th</sup> Avenue SW, Suite 620  
Calgary AB T2P 0P7  
Canada

---

## Independent Auditor's Report

---

To the Directors of Equicapita Investment Corporation

### Opinion

We have audited the financial statements of Equicapita Investment Corporation and its subsidiaries (the Corporation), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive loss, consolidated statement of changes in shareholders' deficit and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards*.

### Basis for Opinion

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

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

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

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

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

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

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants

Calgary, Alberta

April 1, 2021

**Equicapita Investment Corp.**  
**Consolidated Statements of Financial Position**  
*(in thousands of Canadian \$, unless otherwise noted)*

As at December 31	Notes	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and restricted cash	5	20,276	23,366
Accounts receivable	23	25,370	34,641
Sublease receivable	8	2,924	2,807
Inventory	6	19,412	21,733
Income taxes receivable		268	368
Prepaid expenses and deposits		2,303	2,845
Due from related parties	14	220	334
Assets held for sale	15	-	1,166
		70,773	87,260
Deposits		608	256
Sublease receivable	8	16,155	17,499
Property and equipment	7	11,507	12,097
Leased assets	8	37,708	30,788
Intangible assets and goodwill	9	132,469	144,661
Due from related parties	14	6,197	6,107
<b>TOTAL ASSETS</b>		<b>275,417</b>	<b>298,668</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>			
<b>Current Liabilities</b>			
Bank indebtedness	10	-	2,500
Accounts payable and accrued liabilities		17,299	30,238
Deferred revenue		436	1,303
Income taxes payable		1,247	793
Promissory notes interest payable	12	1,181	3,177
Credit facility – current portion	10	8,000	8,000
Lease obligations – current portion	11	7,538	6,715
Promissory notes payable – current portion	12	3,169	3,482
Risk management contracts – current portion	22	1,047	27
Due to related parties	14	42	490
Liabilities held for sale	15	-	1,166
Contingent liability – current portion	5, 25	623	-
		40,582	57,891
Credit facility	10	91,323	97,144
Lease obligations	11	51,565	45,382
Promissory notes payable	12	173,046	168,398
Risk management contracts	22	407	247
Other long-term liabilities	13	171	162
Contingent liability	5, 25	-	1,492
<b>TOTAL LIABILITIES</b>		<b>357,094</b>	<b>370,716</b>
<b>SHAREHOLDERS' DEFICIT</b>			
Common shares	16	194	194
Deficit		(80,440)	(71,016)
Accumulated other comprehensive loss		(10)	(7)
		(80,256)	(70,829)
Non-controlling interest		(1,421)	(1,219)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<b>(81,677)</b>	<b>(72,048)</b>
<b>TOTAL LIABILITIES and SHAREHOLDERS' DEFICIT</b>		<b>275,417</b>	<b>298,668</b>
Subsequent events	27		

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

"signed" Michael Cook, Director

"signed" Matt Barr, Director



**Equicapita Investment Corp.**  
**Consolidated Statements of Comprehensive Loss**  
*(In thousands of Canadian \$ unless otherwise noted)*

For the years ended December 31,	Notes	2020	2019
<b>REVENUE</b>	17, 20	<b>215,454</b>	210,679
<b>OPERATING EXPENSES</b>	18	<b>184,990</b>	187,700
<b>OPERATING INCOME BEFORE OTHER EXPENSES</b>		<b>30,464</b>	22,979
<b>EXPENSES</b>			
Depreciation of property and equipment	7	<b>3,438</b>	2,615
Depreciation of leased assets	8, 11	<b>5,198</b>	4,196
Amortization of intangible assets	9	<b>12,149</b>	10,045
Gain on disposal of property and equipment		<b>(91)</b>	(112)
		<b>20,694</b>	16,744
<b>OPERATING INCOME FROM CONTINUING OPERATIONS</b>		<b>9,770</b>	6,235
Net finance expense	19	<b>13,411</b>	24,128
Change in fair value on risk management contracts	22	<b>1,179</b>	274
Change in fair value of contingent consideration	5, 22, 25	<b>2,856</b>	-
<b>NET LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>		<b>(7,676)</b>	(18,167)
<b>INCOME TAXES</b>			
Current income tax provision	21	<b>1,851</b>	524
Deferred income tax recovery	21	<b>-</b>	(5,148)
		<b>1,851</b>	(4,624)
<b>NET LOSS FROM CONTINUING OPERATIONS</b>		<b>(9,527)</b>	(13,543)
Loss on discontinued operations	15	<b>(99)</b>	(2,763)
Loss on disposal of a subsidiary	15	<b>-</b>	(5,387)
<b>NET LOSS</b>		<b>(9,626)</b>	(21,693)
Net loss attributable to:			
Controlling interests		<b>(9,424)</b>	(20,894)
Non-controlling interests		<b>(202)</b>	(799)
		<b>(9,626)</b>	(21,693)
<b>OTHER COMPREHENSIVE LOSS</b>			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		<b>(3)</b>	(21)
<b>OTHER COMPREHENSIVE LOSS</b>		<b>(3)</b>	(21)
Other comprehensive loss attributable to:			
Controlling interests		<b>(3)</b>	(20)
Non-controlling interests		<b>-</b>	(1)
		<b>(3)</b>	(21)
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(9,629)</b>	(21,714)
Total comprehensive loss attributable to:			
Controlling interests		<b>(9,427)</b>	(20,914)
Non-controlling interests		<b>(202)</b>	(800)
		<b>(9,629)</b>	(21,714)

See accompanying notes to the consolidated financial statements.

**Equicapita Investment Corp.**  
**Consolidated Statements of Changes in Shareholders' Deficit**  
*(In thousands of Canadian \$ unless otherwise noted)*

	Notes	Common Shares Outstanding #	Common Shares	Deficit	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interest	Total Shareholders' Deficit
Balance, December 31, 2018		191,940	192	(50,122)	13	(4,137)	(54,054)
Net loss		-	-	(20,894)	-	(799)	(21,693)
Other comprehensive loss		-	-	-	(20)	(1)	(21)
Total comprehensive loss		-	-	(20,894)	(20)	(800)	(21,714)
Disposal of a subsidiary	15	-	-	-	-	3,718	3,718
Issuance of common shares	16	1,614	2	-	-	-	2
<b>Balance, December 31, 2019</b>		<b>193,554</b>	<b>194</b>	<b>(71,016)</b>	<b>(7)</b>	<b>(1,219)</b>	<b>(72,048)</b>
Net loss		-	-	(9,424)	-	(202)	(9,626)
Other comprehensive loss		-	-	-	(3)	-	(3)
Total comprehensive loss		-	-	(9,424)	(3)	(202)	(9,629)
<b>Balance, December 31, 2020</b>		<b>193,554</b>	<b>194</b>	<b>(80,440)</b>	<b>(10)</b>	<b>(1,421)</b>	<b>(81,677)</b>

*See accompanying notes to the consolidated financial statements.*

**Equicapita Investment Corp.**  
**Consolidated Statements of Cash Flows**  
*(In thousands of Canadian \$ unless otherwise noted)*

For the year ended December 31,	Notes	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net loss for the period		(9,626)	(21,693)
Adjustments to reconcile net loss to cash flows from operating activities	24	40,358	44,564
Payment of contingent consideration	5, 25	(2,060)	-
Changes in non-cash working capital		1,971	(5,955)
Cash flow from discontinued operations		47	4,989
		<b>30,690</b>	<b>21,905</b>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>			
Acquisitions, net of cash acquired		(8,066)	
	5		(30,906)
Purchase of property and equipment	7	(2,850)	(2,805)
Proceeds on disposition of property and equipment		163	345
Purchase of intangible assets	9	-	(10)
Bank interest received		112	256
Changes in non-cash working capital		(14)	(663)
Cash flow from (used in) discontinued operations		(46)	597
		<b>(10,701)</b>	<b>(33,186)</b>
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>			
Repayment of bank indebtedness	10	(5,000)	(3,794)
Proceeds from credit facility	10	2,500	73,900
Repayment of credit facility	10	(6,000)	(6,000)
Debt issue costs		(496)	(908)
Proceeds from subleases	8	2,807	824
Interest received on subleases	8, 19	1,286	582
Repayment of lease obligations	11	(6,580)	(4,132)
Repayment of lease interest expense	11	(3,531)	(2,478)
Promissory note advances	12	3,206	13,213
Repayment of promissory notes	12	(515)	(49,665)
Promissory note issuance costs	12	-	(59)
Promissory note interest paid	12	(4,650)	(14,705)
Bank and other interest paid		(6,276)	(5,090)
Issuance of common shares	16	-	2
Payment of contingent consideration	5, 25	(1,409)	-
Changes in non-cash working capital		1,570	(1,228)
Cash flow from (used in) discontinued operations		9	(676)
		<b>(23,079)</b>	<b>(214)</b>
<b>NET DECREASE IN CASH</b>		<b>(3,090)</b>	<b>(11,495)</b>
<b>CASH AND RESTRICTED CASH, BEGINNING OF PERIOD</b>		<b>23,366</b>	<b>34,861</b>
<b>CASH AND RESTRICTED CASH, END OF PERIOD</b>		<b>20,276</b>	<b>23,366</b>
<b>CASH AND RESTRICTED CASH:</b>			
Unrestricted cash		19,426	15,614
Restricted cash	5	850	7,752
		<b>20,276</b>	<b>23,366</b>
<b>CASH DISBURSEMENTS MADE FOR:</b>			
Income taxes, net of refunds		1,645	(16)
Interest		13,063	21,435

See accompanying notes to the consolidated financial statements.

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian dollars unless otherwise noted)*

## 1. ORGANIZATION AND NATURE OF BUSINESS

Equicapita Investment Corp. (the Corporation) was incorporated in the province of Alberta under the Business Corporation Act – *Alberta* on May 2, 2014. The Corporation invests in a diversified portfolio of owner-managed entities (SME) with the purpose of providing shareholders long-term returns on their investments through capital appreciation and income generation on assets. The Corporation is a wholly owned subsidiary of Equicapita Income L.P. (the Partnership or LP) and the Partnership is controlled by Equicapita Income Trust (the Trust). The Partnership and the Trust have been structured to raise private equity to fund, in part, the Corporation's acquisition activities.

The head office, principal address and records office of the Corporation are located at Suite 2210, 8561 – 8A Avenue SW, Calgary, Alberta, T3H 0V5.

The consolidated financial statements present only the assets, liabilities, and results of operations of the Corporation and its subsidiaries. Products and services are provided through the Corporation's subsidiaries. As at December 31, 2020 and 2019, the following subsidiaries listed in the table below are included in these financial statements:

<b>% Subsidiaries</b>	<b>2020</b>	<b>2019</b>
Levy's Machine Works Ltd. (LMW)	100	100
Metercor Inc. (MTR)	100	100
A&R Metal Industries Ltd. (ARM)	100	100
Metro Testing & Engineering Ltd. (MTL)	70	70
Nutters Bulk & Natural Foods Inc. (NBNF)	80	80
Smitty's Canada Inc. (SCI)	100	100
ESP Salon Sales Inc. (ESP)	100	100
I-XL Building Products Inc. (I-XL)	100	100
Shaw Dental Laboratory Inc. (SDL)	93.6	93.6
The Master Mechanic Inc. (TMMI)	90	90
Wingenback Ltd. (WIL)	70	70
Visage Cosmetics Ltd. (VCL)	100	100

## 2. BASIS OF PRESENTATION

### 2.1 Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC).

The Board of Directors authorized these consolidated financial statements for issue on April 1, 2021.

### 2.2 Basis of Measurement

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business and have been prepared on the historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value. The Corporation's significant accounting policies are described in Note 4.

Certain comparative figures have been reclassified to confirm to the current presentation.

### 2.3 Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, the functional currency of the Corporation and each of its subsidiaries, except SDL, which has a wholly owned subsidiary whose functional currency is in United States dollars (USD). All values are rounded to the nearest thousand dollars, except the number of shares, which are presented in whole numbers and where otherwise indicated.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

---

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and use judgement regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. These estimates and judgements are subject to change based on experience and new information, and by their nature, are subject to measurement uncertainty. Accordingly, actual results may differ from the estimated amounts as future confirming events occur.

In January 2020 the World Health Organization declared the coronavirus (COVID-19) outbreak a Public Health Emergency and on March 10, 2020 it was declared a global pandemic (the Pandemic). Actions taken around the world to slow the spread of COVID-19 included government-imposed restrictions on travel, quarantines and forced closures of certain businesses. These measures caused significant disruption to business operations and increased commercial uncertainty which includes, but is not limited to; a decline in customer demand, disruption in the supply chain, the health and availability of the Corporation's workforce, the timing and certainty of certain capital expenditures and major projects, the results of financing efforts and an increase in credit risk.

The Corporation's operations, financial position and performance were impacted by the outbreak of the COVID-19 pandemic which resulted in the implementation of measures, procedures, and protocols to foster the health and safety of its employees, vendors, and customers. These enhanced protocols included: travel restrictions, workplace hygiene practices, employee absence tracking, additional personal protective equipment for essential workers, limiting access to facilities, and alternative work options for employees where possible, such as working from home. The Pandemic also resulted in a decrease of revenue and cash flows for fiscal 2020 which was mitigated, in part, by the diversified nature of the Corporation's operations across various industries and provinces, and by the Government of Canada's introduction of various subsidy programs. In addition, the Corporation amended its credit facility which relaxed certain financial covenants up until June 30, 2021, and secured additional funding from the Partnership through the issuance of new partnership units. The extent to which COVID-19 may impact the Corporation's operations, financial position and performance have been considered in management's estimates and the assumptions at period end have been reflected in the results with any significant changes described in the relevant financial statement note.

Market conditions began to improve over the later half of 2020, as countries began reopening their economies, but recent resurgence of variant COVID-19 cases in certain geographical locations may result in further restrictions. The impact of the Pandemic continues to present challenges to the Corporation's operations and business environment, and management can not reasonably estimate the length or severity of the Pandemic, but continues to monitor its impact to inform appropriate strategic and tactical business decisions. Significant estimates and judgements made by management in the preparation of these consolidated financial statements are as follows:

#### 3.1 Property, equipment and intangible assets

The Corporation makes judgements as to assess the nature of costs to be capitalized and the time period over which they are capitalized in the purchase or construction of an asset. Estimates are used in determining useful economic lives and residual values of property and equipment. These estimates are used in the calculation of depreciation and amortization. Judgement is applied in determining the appropriateness of the depreciation and amortization method used.

#### 3.2 Acquired intangible assets

Intangible assets recognized on the completion of a business combination are attributable mainly to customer and supplier relationships, non-compete agreements, franchise agreements and tradenames. The Corporation uses the income approach to value acquired intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life. The Corporation utilizes the discounted cash flow methodology which is a form of the income approach that begins with a forecast of the annual cash flows that a market participant would expect the subject intangible asset to generate over a discrete projection period. The forecast cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for their respective level of market risk. The net present value of the forecast cash flows are added to the present value of the residual value of the intangible asset (if any) at the end of the projection period to arrive at an estimated fair value of the subject intangible assets.

### **3.3 Impairment of non-financial assets**

For the purposes of assessing impairment of non-financial assets, the Corporation must determine cash generating units (CGUs). Assets and liabilities are grouped into CGUs at the lowest level of separately identifiable cash flows. Determination of what constitutes a CGU is subject to management judgement. Management has determined that each subsidiary constitutes a GCU for impairment testing.

The fair value and useful lives of tangible and intangible assets, including goodwill, are reviewed annually, or more frequently if events or changes in circumstances indicate that the assets might be impaired. If an indication of impairment exists, the recoverable amount of the asset is estimated to determine the extent of impairment loss, if any. The Corporation uses discounted cash flow-based methods to determine the recoverable amount which is the higher of fair value less costs to sell (FVLCTS) and value in use (VIU). In determining the FVLCTS, recent market transactions are considered, if available. In the absence of such transactions the VIU model is used. In assessing VIU, the discounted cash flow calculations typically use five-year projections that are based on the operating plans approved by management. Cash flow projections take into account past experience and represent management's best estimate of future developments, but do not include restructuring activities or significant future investments that will enhance the CGU's performance. Cash flows after the planning period are extrapolated using estimated growth rates. The estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment of the CGU, including goodwill.

An impairment loss is the amount by which the carrying amount of a CGU exceeds its recoverable amount. Impairment losses are determined by management's best estimates of expected revenues, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control. In addition, by their nature, impairment tests involve a significant degree of judgement as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

### **3.4 Revenue**

Judgements and estimates are required to identify and allocate the transaction price among performance obligations; determining when performance obligations are satisfied at a point in time and measuring progress of completion when performance obligations are satisfied over time. The judgement and estimates required are guided by the terms of contracts with customers, which depict the actions that dictate the transfer of goods and services. There are limited judgements and estimates to identify the transaction price as the final agreed upon price per contract with customers reflects the final transaction price, which takes into account any variable consideration. Discounts provided to customers is the only variable consideration offered to customers. Revenue is recognized from contracts with customers when and as performance obligations are satisfied by the transfer of control of the goods and services to the customer, which may be at a point in time or over time. Costs incurred to complete a project as well as timeline of completion are used to guide judgements and estimates of performance obligations.

### **3.5 Leases**

The Corporation evaluates contract terms and conditions to determine whether they contain or are a lease. Where a lease exists, the Corporation determines whether substantially all of the significant risks and rewards of ownership are transferred to the Corporation, in which case it is accounted for as a finance lease. Certain finance leases contain options exercisable by the Corporation to extend the lease term. Where practical, the Corporation seeks to include extension options in new leases to provide operational flexibility. The Corporation assesses at the lease commencement date whether it is reasonably certain to exercise the extension options and performs reassessments if there is a significant event or change in circumstances within the Corporations control.

### **3.6 Income taxes**

The Corporation makes judgements with respect to changes in tax legislation, regulations and interpretations thereof. Judgement is also applied to estimating probability of outcomes, when temporary differences will reverse and whether tax assets are realizable. When tax legislation is subject to interpretation, management periodically evaluates positions taken in tax filings and records provisions where appropriate. The provisions are management's best estimates of the expenditures required to settle the present obligations at the balance sheet date, using a probability weighting of possible outcomes.



## 4. SIGNIFICANT ACCOUNTING POLICIES

---

### 4.1 Accounting Standards Adopted in the Current Year

The following standards were adopted on January 1, 2020 by the Corporation. There were no retrospective adjustments required on adoption of these standards.

IFRS 3 *Business Combinations Definition of a Business* was amended. The amendments clarify the definition of a business with the objective of assisting entities to determine where a transaction should be accounted for as a business combination or as an asset acquisition. There was no impact on the Corporation's consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* (IAS 1), and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) provided further clarification on the definition of materiality, specifying that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments resulted in consequential amendments to other IFRSs to use a consistent definition of materiality throughout IFRSs and the conceptual framework for financial reporting.

IFRS 9, *Financial Instruments* (IFRS 9), IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), and IFRS 7, *Financial Instruments: Disclosures* (IFRS 7) were amended to provide for Interest Rate Benchmark Reform, detailing the fundamental reform of major interest rate benchmarks being undertaken globally to replace or redefine Inter-Bank Offered Rates (IBORs) with alternative nearly risk-free benchmark rates (referred to as "IBOR reform"). These amendments are effective for annual reporting periods beginning on or after January 1, 2020. There is significant uncertainty over the timing of when the replacements for IBORs will be effective and what those replacements will be. The Corporation will actively monitor the IBOR reform and consider circumstances as financial instrument contracts are renewed and entered into.

IFRS 16 *Leases* (IFRS 16) was amended and provides a practical expedient for lessees to elect not to assess whether a rent concession is a lease modification and instead, account for any change in lease payments resulting from rent concessions the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. The Corporation has elected to apply the practical expedient to all rent concessions that meet the criteria and have accounted for the changes in lease payments as if the concessions were not lease modifications. Election of the practical expedient did not have a material impact on the results of operations.

### 4.2 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently throughout the periods presented in these consolidated financial statements:

#### 4.2.1 Basis of consolidation

All entities in which the Corporation has a controlling interest, specifically when it has the power to direct the financial and operational policies of these entities to obtain benefit from their operations, are consolidated. Subsidiaries are consolidated from the date of acquisition and continue to be consolidated until the date when control ceases. The financial statements of each subsidiary are prepared for the same reporting period of the Corporation using consistent accounting policies. All intercompany balances and transactions are eliminated on consolidation. Non-controlling interests (NCIs) represent equity interests in subsidiaries owned by former controlling interest parties. NCIs are measured at fair value at the date of acquisition. The share of net assets of subsidiaries attributable to NCIs is presented as a component of equity.

#### 4.2.2 Cash and restricted cash

Cash consists of amounts held with financial institutions. Restricted cash consists of cash held in trust with legal counsel and an appointed escrow agent (Note 5).

#### 4.2.3 Inventory

Inventory consists of raw materials and consumables, work-in-progress and finished goods and is measured at the lower of cost and net realizable value. Cost is determined using either the weighted average cost or specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and any related selling costs. When circumstances that previously caused inventory to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Provisions are made for obsolete, unusable and/or unsaleable inventory.

#### 4.2.4 Property and equipment

Upon initial recognition, property and equipment is recorded at cost, which includes the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation. Subsequent measurement is at cost less accumulated amortization less any accumulated impairment losses. When parts of property and equipment have different useful lives, they are accounted for as separate components of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of a replaced asset is derecognized after replacement. Repairs and maintenance are charged to the consolidated statements of comprehensive loss in the period in which they occur.

Depreciation is determined using the methods and rates intended to amortize the cost of assets over their estimated useful lives as follows:

	<b>Basis</b>	<b>Rate</b>
Production and installation equipment	Declining balance	10 - 20% per year
Leasehold improvements	Straight-line	5 to 10 years
Other assets	Declining balance	10 - 50% per year
Leased assets	Straight-line	5 to 20 years

Vehicles, furniture and fixtures and computer equipment are included within other assets.

#### 4.2.5 Intangible assets

Intangible assets consist of value attributed to customer and supplier relationships, tradenames, franchise agreements and non-compete agreements, which are carried at cost less accumulated amortization and impairment losses. The carrying values are reviewed at least annually, or when circumstances arise that would indicate impairment. Intangible assets are amortized on a straight-line basis over the expected period of benefit.

Customer and supplier relationships and trade names are amortized over 10 years, franchise agreements are amortized over their economic life which range between 2 and 10 years and non-compete agreements are amortized over 3 to 5 years.

#### 4.2.6 Business combinations and goodwill

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill.

Goodwill is assigned, as of the date of the business combination, to CGU's that are expected to benefit from the business combination. Each CGU represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit and loss.

Following initial recognition, goodwill is recognized at cost less accumulated impairment losses and is not amortized but is subject to impairment testing at least annually, or more frequently if events or changes in circumstances indicate the carrying amount may be impaired. Impairment losses relating to goodwill cannot be reversed in future periods. When the excess of the consideration transferred less the assets and liabilities acquired is negative, a gain is recognized immediately in the consolidated statements of comprehensive loss. On disposal of a subsidiary, the amount of goodwill attributable to the subsidiary is included in the determination of the gain or loss recognized. Associated transaction costs are expensed when incurred.

#### **4.2.7 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant will be received, and all related conditions are complied with. Government grants received in respect of expenditures are credited to income, netted against the expense to which they relate on a systematic basis. Government grants in respect of capital expenditures are credited to the carrying amount of the related asset and are realized in income over the expended useful life of the related asset. Government grants received before the income recognition criteria are satisfied are presented as a separate liability in the statement of financial position.

#### **4.2.8 Income taxes**

Income taxes are the sum of current and deferred income taxes. Income tax is recognized in earnings, except to the extent it relates to items recorded in OCI or equity. Current income tax assets and liabilities and deferred tax assets and liabilities are offset where the Corporation has the legally enforceable right to offset and the Corporation intends to either settle on a net basis or realize the asset.

Current tax is calculated on taxable earnings using rates enacted or substantively enacted at the balance sheet date in the jurisdictions in which the Corporation operates.

Deferred income taxes are recognized for the estimated effect of any difference between the accounting and tax basis of assets and liabilities, using enacted or substantively enacted income tax rates expected to apply when the deferred tax asset or liability is settled. The effect of a change in income tax rates on deferred income taxes is recognized in net income in the period in which the change occurs. Deferred tax assets are recognized to the extent that they are more likely than not to be realized.

#### **4.2.9 Provisions and contingent liabilities**

Provisions are recognized by the Corporation when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

#### **4.2.10 Leases**

At inception of a contract, the Corporation assesses whether that contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, an assessment is made as to whether:

- the contract involves the use of an identified asset
- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and
- the Corporation has the right to direct the use of the asset.

#### **Lessee accounting**

The Corporation records a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, consisting of:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred plus
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset is typically depreciated on a straight-line basis over the lease term unless there's an expectation of obtaining ownership of the leased asset at the end of the lease. The lease term consists of:

- the non-cancellable period of the lease; and
- periods covered by options to extend or terminate the lease, where the Corporation is reasonably certain to exercise or not exercise the option

If the Corporation expects to obtain ownership of the leased asset at the end of the lease, depreciation of the right-of-use asset is calculated over the underlying asset's estimated useful life. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The Corporation generally uses the relevant incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate
- amounts expected to be payable under a residual value guarantee and
- the exercise price under a purchase option in which reasonable certainty exists to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless there's reasonable certainty that early termination will not occur.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in estimates of the amount expected to be payable under a residual value guarantee, or due to a change in assessment of whether or not the Corporation will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net loss prior to the remeasurement of the lease liability.

Certain leases contain provisions that result in differing lease payments over the term as a result of market rate reviews or changes in the Consumer Price Index or other similar indices. A reassessment of the lease liabilities is performed related to these leases when the index or other data is available to calculate the change in lease payments. Certain leases require payments that relate to property taxes, insurance, and other non-rental costs. These non-rental costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability.

#### **Lessor accounting**

When the Corporation acts as a lessor, a determination is made at lease inception, whether each lease is a finance lease or an operating lease. In order to classify a lease as either finance or operating, an overall assessment is made of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If it does, the lease is a finance lease; if not, it is an operating lease. When the Corporation is an intermediate lessor, head leases and subleases are accounted for as two separate contracts. The Corporation de-recognizes the leased assets and recognizes a sublease receivable asset. Interest received on subleases is recognized in income on the same basis as the interest paid on the head lease.

#### **4.2.11 Assets held for sale and Discontinued Operations**

Assets held for sale (AHFS) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower of their carrying amount and fair value less costs to sell (FVLCTS), except for assets such as deferred tax assets and financial assets which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to FVLCTS. A gain is recognized for any subsequent increase FVLCTS of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the AHFS is recognized at the date of derecognition.

AHFS are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized. AHFS are presented separately from the other assets in the consolidated statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statements of comprehensive loss. The net cash flows attributable to the operating, investing and financing activities of a discontinued operation are presented separately in the consolidated statements of cash flows.

#### 4.2.12 Revenue recognition

Revenue is recognized from contracts with customers, when and as performance obligations are satisfied by the transfer of control of the goods and services to the customer, which may be at a point in time or over time. Revenue is measured based on the consideration the Corporation expects to be entitled to in exchange for providing goods and services, excluding discounts and duty and taxes collected from customers that are reimbursed to government authorities. Non-cash consideration received is included in the amount of revenue recognized and measured at fair value. Costs incurred directly to obtain or fulfill a contract are capitalized and included in gross revenue. Contract modifications are accounted for prospectively or as a cumulative catch-up adjustment, depending on the nature of the change.

Most of the Corporation's contracts include a single performance obligation because the promise to transfer the goods or services to the customer is not separately identifiable from other promises in the contract. The Corporation's contracts may include multiple goods or services that are accounted for as a separate performance obligation if they are separately identifiable from other items in the contract and the customer can benefit from it. If a contract has multiple performance obligations, the consideration in the contract is allocated to each performance obligation based on the estimated stand-alone selling price of the good or service.

The Corporation transfers control of services it provides to customers over time, therefore recognizes revenue progressively as the services are performed. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period that the losses are determined. Revenue from time and material contracts is recognized as costs are incurred, based on the amount that the Corporation has a right to invoice.

The timing of revenue recognition, billings and cash collections results in accounts receivable, unbilled receivables and deferred revenue in the consolidated statements of financial position. Amounts are typically invoiced as work progresses in accordance with the contractual terms, either at periodic intervals or when contractual milestones are achieved. Accounts receivable represents amounts due from customers. Deferred revenue represents amounts that have been invoiced but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when the Corporation performs under the contract. Interest income is recognized as it accrues in the consolidated statements of comprehensive loss, using the effective interest method.

#### 4.2.13 Financial instruments

##### Recognition and initial measurement

Financial instruments are initially measured at fair value and subsequently measured according to their classification as noted below. Transaction costs in respect of an asset or liability not recorded at fair value through net loss are added to the initial carrying amount. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. The classification of financial liabilities depends on the purpose for which the financial liabilities were incurred and their characteristics. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. On initial recognition, financial assets are classified in the following measurement categories: amortized cost, FVTPL, or fair value through other comprehensive income (FVOCI).

##### Classification and subsequent measurement

Except in very limited circumstances, the classification of financial assets and financial liabilities are not changed subsequent to initial recognition. If a classification change is made, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### Financial assets:

Classification	Subsequent measurement
Amortized cost	Amortized cost, using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
FVTPL	Net gains and losses, including interest or dividend income are recognized in profit or loss.
FVOCI	Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.



**Financial liabilities:**

<b>Classification</b>	<b>Subsequent measurement</b>
Amortized cost	Amortized cost, using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
FVTPL	Net gains and losses, including interest expense are recognized in profit or loss. These financial liabilities are held-for trading, derivatives or designated as derivative on initial measurement.

Modifications to financial liabilities measured at amortized cost occur when the cash flows are modified without resulting in derecognition. The carrying value of the liability is adjusted to the present value of the modified cash flows, discounted at the financial liability's original effective interest rate, with a resulting gain or loss recognized in comprehensive loss.

**Fair value**

After initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on ask prices for financial liabilities. For financial instruments not traded in an active market, fair values are determined using appropriate valuation techniques, which may include recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, and discounted cash flow analysis; however, other valuation models may be used.

**4.2.14 Impairment**

**Financial asset impairment**

The Corporation recognizes an allowance for expected credit losses (ECLs) on financial assets based on a 12-month ECL or lifetime ECL. ECL's are probability-weighted estimates of credit losses, which are measured at the present value of the difference between the cash flow due to the Corporation and the cash flow that the Corporation expects to receive. ECL's are discounted at the effective interest rate of the financial assets. Financial assets considered to have low credit risk have an impairment provision recognized during the period limited to 12-month ECLs. When credit risk has increased significantly subsequent to initial measurement, the allowance is based on the lifetime ECL.

**Non-Financial asset impairment**

For non-financial assets such as property and equipment, intangible assets and goodwill, the recoverable amount is the higher of an asset's or CGU's value in use or its fair value less costs of disposal. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. To assess value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

To determine fair value less costs of disposal, an appropriate valuation model is used. The results of these valuation techniques are corroborated using industry trends and forecasting. When impairment has occurred, the cumulative loss is recognized in the consolidated statements of comprehensive loss.

Impairment losses, other than goodwill impairment losses, may be reversed in subsequent periods, if the tests yield results greater than the carrying amount at the end of the period. Impairment losses may only be reversed to the extent they bring the carrying value up to the original cost, net of any amortization that would have been reported had no impairment been recognized in prior periods.

**4.2.15 Finance expense**

Finance expense comprises interest expense on borrowings, interest expense on lease obligations, accretion of commissions and other costs for the issue of bank indebtedness and promissory notes payable to related parties.

**4.2.16 Foreign currency translation**

Functional currencies of the Corporation's individual entities are the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currency at foreign exchange rates as at the statement of financial position date. Foreign exchange differences arising on translation are recognized in comprehensive loss. Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction.



In preparing the Corporation's consolidated financial statements, the financial statements of each entity are translated into Canadian dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at exchange rates as at the statement of financial position date. Revenues and expenses of foreign operations are translated into Canadian dollars using foreign exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences resulting from the translation of the financial statements of entities from functional currency to presentation currency are recognized in other comprehensive loss.

If the Corporation or any of its entities disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in net loss.

#### 4.3 Other Future Adoptions

The Corporation is assessing the following amendments to IFRS but does not expect adoption of these amendments to have a significant impact on the financial results or note disclosures within the consolidated financial statements.

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability, income or expense or the information that entities disclose about those items. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted.

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018-2020*. The pronouncement contains amendments to the following IFRS: IFRS 1 *First Time Adopter*; IFRS 9 - Fees in the "10 percent" test for derecognition of financial liabilities, IFRS 16 - Lease Incentives and IAS 41 *Taxation in Fair Value Measurements*. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds Before Intended Use* (Amendments to IAS 16) regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

In May 2020, the IASB issued *Onerous Contracts — Cost of Fulfilling a Contract* (Amendments to IAS 37) amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

In May 2020, the IASB issued *Reference to the Conceptual Framework* (Amendments to IFRS 3) with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

On August 27, 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021.

## 5. BUSINESS COMBINATIONS

---

There were no business acquisitions completed during the year ended December 31, 2020.

During the year ended December 31, 2019, the Corporation completed three business acquisitions. The acquisitions were completed as part of the Corporation's business plan to make long-term investments in SME businesses. The acquisitions were accounted for using the acquisition method, whereby the assets acquired, and the liabilities assumed were recorded at their estimated fair value. The fair values of the net assets acquired were determined by management using a combination of available third-party market prices, the condition of the assets acquired, current industry conditions and discounted future cash flows expected to be received from the assets and paid to settle the outstanding liabilities.

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

## 5.1 TMMI

Effective April 5, 2019, the Corporation, via a wholly owned subsidiary, completed the acquisition of a 90% interest in TMMI, one of the leading franchisor of aftermarket automotive maintenance and repair centres. TMMI's operating results are included in the Corporation's consolidated statements of comprehensive loss from April 5, 2019. The Corporation recorded revenues of \$1,936 and gross profit of \$1,083 from the date of acquisition to December 31, 2019. If the acquisition had occurred on January 1, 2019, management estimates that the Corporation's revenue would have increased by approximately \$464 and gross profit for the period would have increased by approximately \$417.

The following summarizes the estimated allocation of the aggregate consideration for the acquisition:

	\$
Working capital	252
Property and equipment	2
Leased assets	292
Sublease receivable	12,311
Intangible assets	8,810
Lease obligations	(12,602)
Deferred tax liability	(2,334)
Non-controlling interest	(1,046)
Goodwill (Note 9)	3,752
<b>Net assets acquired</b>	<b>9,437</b>

Consideration for the acquisition consisted of the following:

	\$
Cash paid at close	7,963
Working capital holdback	135
Vendor take back promissory notes (Note 12)	1,125
Post closing adjustments	214
<b>Total consideration</b>	<b>9,437</b>

Intangible assets recognized on the acquisition are attributable mainly to the supplier agreements and tradename. Goodwill includes intangible assets that do not qualify for separate recognition including an established workforce at each of TMMI's locations. During the year ended December 31, 2020, post closing adjustments were finalized resulting in measurement period adjustments to the goodwill balance.

## 5.2 WIL

Effective August 1, 2019, the Corporation, via a wholly owned subsidiary, completed the acquisition of a 70% interest in WIL, a leading industrial and commercial logistics business specializing in ATM related products, high-end industrial moving and project management services. WIL's operating results are included in the Corporation's consolidated statements of comprehensive loss from August 1, 2019. The Corporation recorded revenues of \$25,076 and gross profit of \$4,237 from the date of acquisition to December 31, 2019. If the acquisition had occurred on January 1, 2019, management estimates that the Corporation's revenue would have increased by approximately \$16,924 and gross profit for the period would have increased by approximately \$1,963.

The following summarizes the estimated allocation of the aggregate consideration for the acquisition:

	\$
Working capital	4,443
Property and equipment	2,049
Leased assets	4,481
Intangible assets	11,490
Lease obligations	(4,567)
Non-controlling interest	(5,863)
Goodwill (Note 9)	2,547
<b>Net assets acquired</b>	<b>14,580</b>

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

Consideration for the acquisition consisted of the following:

	\$
Cash paid at close	11,470
Working capital holdback	350
Post closing adjustments	1,360
Contingent liability (note 25)	1,400
<b>Total consideration</b>	<b>14,580</b>

Intangible assets recognized on the acquisition are attributable mainly to customer relationships and tradename. Goodwill includes intangible assets that do not qualify for separate recognition including an established workforce at each of WIL's locations.

The contingent liability relates to an earn out provision whereby the NCI shareholders receive 30% of earnings before interest, taxes, depreciation and amortization (EBITDA) generated by WIL over a \$3,500 threshold on an annual basis to a maximum of \$4,000. The earn out provision is based on a 24-month period effective from the acquisition date of WIL and is paid annually. During the year ended December 31, 2020, the contingent consideration was remeasured to fair value, resulting in an increase to \$4,000. The change in fair value of contingent consideration of \$2,600 was recognized in the consolidated statements of comprehensive loss (Note 25). During the year ended December 31, 2020, cash settlement of the first earn-out period was made in the amount of \$3,460.

### 5.3 VCL

Effective December 31, 2019, the Corporation, by way of a wholly owned subsidiary, completed the acquisition of a 100% interest in VCL, one of the leading franchisors of retail beauty and cosmetic services and products. VCL's operating results are included in the Corporation's consolidated statements of comprehensive loss from December 31, 2019. The Corporation recorded revenues of \$nil and gross loss of \$nil from the date of acquisition to December 31, 2019. If the acquisition had occurred on January 1, 2019, management estimates that the Corporation's revenue would have increased by approximately \$7,000 and gross profit for the period would have increased by approximately \$2,000.

The following summarizes the estimated allocation of the aggregate consideration for the acquisition:

	\$
Working capital	1,319
Property and equipment	198
Leased assets	1,228
Sublease receivable	8,819
Intangible assets	11,260
Lease obligations	(10,096)
Deferred tax liability	(2,945)
Goodwill (Note 9)	2,775
<b>Net assets acquired</b>	<b>12,558</b>

Consideration for the acquisition consisted of the following:

	\$
Cash paid at close	10,939
Working capital holdback	200
Indemnity escrow holdback	850
Vendor take back promissory notes (Note 12)	500
Post closing adjustments	69
<b>Total consideration</b>	<b>12,558</b>

Intangible assets recognized on the acquisition are attributable mainly to the supplier relationships and tradename. Goodwill includes intangible assets that do not qualify for separate recognition including an established workforce at each of VCL's locations. During the year ended December 31, 2020, post closing adjustments were finalized resulting in measurement period adjustments to the goodwill balance. The working capital holdback of \$200 is accrued and included in accounts payable and accrued liabilities at December 31, 2019 and was paid in June 2020 upon settlement of the post closing adjustments.

### Sensitivity of key assumptions

The estimation of the initial recognition amount of the intangible assets involved the use of significant accounting estimates which were subject to a high degree of estimation uncertainty. As disclosed in the significant account judgements and estimates note, an income approach has been used to estimate the fair value of the intangible assets acquired. The key assumptions that were used in the initial measurement and recognition of the intangible assets were revenue growth, EBITDA, margin and attrition. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. The sensitivity analysis provided is hypothetical and should be used with caution. Actual experience could result in changes in a number of key assumptions simultaneously.

### Restricted cash

At December 31, 2020, the Corporation held restricted cash of \$850 (December 31, 2019 - \$7,752), relating to the acquisitions. During the year ended December 31, 2020, \$7,752 of restricted cash was released and \$850 was added into escrow in accordance with the escrow agreements related to prior years. These funds are currently not available for use by the Corporation.

### Transaction costs

During the year ended December 31, 2020, the Corporation incurred transaction costs of \$831 (December 31, 2019 - \$2,620). All transaction costs related to the business combinations were recognized in general and administrative expenses on the consolidated statements of comprehensive loss.

## 6. INVENTORY

Inventory is comprised of the following:

\$ As at December 31	2020	2019
Raw materials and consumables	2,244	3,481
Work in progress	525	851
Finished goods	16,679	17,401
Inventory allowance	(36)	-
<b>Total</b>	<b>19,412</b>	<b>21,733</b>

During the year ended December 31, 2020, charges of \$992 were recorded in cost of goods sold (December 31, 2019 - \$1,500 within discontinued operations and \$250 within cost of goods sold) in the statements of comprehensive loss relating to a write-down of finished goods to net realizable value.

## 7. PROPERTY AND EQUIPMENT

\$	Production and Installation Equipment	Vehicles	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balance, December 31, 2018	7,206	666	1,102	1,591	4,134	14,699
Additions, acquisitions	2,279	5,439	200	765	951	9,634
Additions	943	258	53	863	688	2,805
Adjustments	204	-	-	-	-	204
Disposals	(686)	(364)	(27)	(97)	(480)	(1,654)
Exchange differences	(3)	-	(1)	-	(6)	(10)
Balance, December 31, 2019	9,943	5,999	1,327	3,122	5,287	25,678
Additions	713	265	132	565	1,175	2,850
Disposals	(844)	(498)	(17)	(683)	(72)	(2,114)
Exchange differences	(1)	-	(1)	-	(2)	(4)
<b>Balance, December 31, 2020</b>	<b>9,811</b>	<b>5,766</b>	<b>1,441</b>	<b>3,004</b>	<b>6,388</b>	<b>26,410</b>

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

<b>Accumulated depreciation</b>						
Balance, December 31, 2018	2,498	177	235	500	791	4,201
Accumulated depreciation, acquisitions	1,779	4,124	160	734	661	7,458
Depreciation	1,080	335	106	426	668	2,615
Depreciation – discontinued operations	48	26	3	6	13	96
Disposals	(368)	(259)	(13)	(38)	(186)	(864)
Exchange differences	75	-	-	-	-	75
Balance, December 31, 2019	5,112	4,403	491	1,628	1,947	13,581
Depreciation	1,198	528	138	697	877	3,438
Disposals	(810)	(472)	(30)	(674)	(130)	(2,116)
<b>Balance, December 31, 2020</b>	<b>5,500</b>	<b>4,459</b>	<b>599</b>	<b>1,651</b>	<b>2,694</b>	<b>14,903</b>
<b>Net book value</b>						
Balance, December 31, 2019	4,831	1,596	836	1,494	3,340	12,097
<b>Balance, December 31, 2020</b>	<b>4,311</b>	<b>1,307</b>	<b>842</b>	<b>1,353</b>	<b>3,694</b>	<b>11,507</b>

## 8. LEASED ASSETS

The Corporation leases certain offices and corporate building and production and installation equipment. The non-cancellable contract periods for the Corporation's leases typically range from 5 to 15 years. Certain leases contain extension or renewal options assessed at lease commencement as to whether the Corporation is reasonably certain to exercise the options based on the expected economic return from the lease. The Corporation reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstance and accounts for any changes at the date of reassessment.

\$	Office and Corporate Buildings	Other Equipment	Total
<b>Cost</b>			
Balance, January 1, 2019	-	205	205
Adjustment on adoption of IFRS 16	28,826	359	29,185
Additions – acquisitions	6,001	-	6,001
Additions	1,103	649	1,752
Adjustments	(170)	(206)	(376)
Disposals	(1,902)	(50)	(1,952)
<b>Balance, December 31, 2019</b>	<b>33,858</b>	<b>957</b>	<b>34,815</b>
Additions	11,642	252	11,894
Transfer from assets held for sale (Note 11)	280	-	280
Disposals	(362)	(62)	(424)
<b>Balance, December 31, 2020</b>	<b>45,418</b>	<b>1,147</b>	<b>46,565</b>
<b>Accumulated depreciation</b>			
Balance, January 1, 2019	-	76	76
Depreciation	4,046	150	4,196
Sale of a subsidiary	467	2	469
Disposals	(620)	(94)	(714)
<b>Balance, December 31, 2019</b>	<b>3,893</b>	<b>134</b>	<b>4,027</b>
Depreciation (Note 11)	4,953	245	5,198
Disposals	(339)	(29)	(368)
<b>Balance, December 31, 2020</b>	<b>8,507</b>	<b>350</b>	<b>8,857</b>
<b>Net book value</b>			
Balance, December 31, 2019	29,965	823	30,788
<b>Balance, December 31, 2020</b>	<b>36,911</b>	<b>797</b>	<b>37,708</b>

Equicapita Investment Corp.  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

The Corporation subleases certain offices and has classified these as finance leases as the sub-leases are for the whole of the remaining term of the head lease. The following table sets out a maturity analysis of lease receivables relating to office space, showing the undiscounted lease payments to be received after the reporting date.

\$		
As at December 31	2020	2019
Current	4,056	4,074
Later than 1 year and not later than 3 years	10,577	11,275
Thereafter	9,027	9,873
Undiscounted lease receivables	23,660	25,222
Unearned finance income	(4,581)	(4,916)
<b>Discounted lease receivable</b>	<b>19,079</b>	<b>20,306</b>
Less: sublease receivable - current	(2,924)	(2,807)
<b>Sublease receivable</b>	<b>16,155</b>	<b>17,499</b>

## 9. INTANGIBLE ASSETS AND GOODWILL

\$	Customer & Supplier Relationships	Non – Compete	Franchise Agreements	Tradename	Total
<b>Cost</b>					
Balance, December 31, 2018	38,262	1,510	3,282	44,071	87,125
Additions, acquisitions	7,600	790	-	23,170	31,560
Additions	10	-	-	-	10
Exchange differences	(15)	-	-	(10)	(25)
Balance, December 31, 2019	45,857	2,300	3,282	67,231	118,670
Additions	8	-	-	-	8
Exchange differences	(6)	-	-	-	(6)
<b>Balance, December 31, 2020</b>	<b>45,859</b>	<b>2,300</b>	<b>3,282</b>	<b>67,231</b>	<b>118,672</b>
<b>Accumulated amortization</b>					
Balance, December 31, 2018	8,871	1,298	1,346	2,994	14,509
Amortization	3,967	158	656	5,264	10,045
Amortization – discontinued operations	55	-	-	-	55
Balance, December 31, 2019	12,893	1,456	2,002	8,258	24,609
Amortization	4,938	158	656	6,397	12,149
<b>Balance, December 31, 2020</b>	<b>17,831</b>	<b>1,614</b>	<b>2,658</b>	<b>14,655</b>	<b>36,758</b>
<b>Net book value</b>					
Balance, December 31, 2019	32,964	844	1,280	58,973	94,061
<b>Balance, December 31, 2020</b>	<b>28,028</b>	<b>686</b>	<b>624</b>	<b>52,576</b>	<b>81,914</b>



**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

The following is a reconciliation of the carrying value of goodwill:

\$	Balance as at December 31, 2019	Measurement period adjustments	Effects of movements in exchange rates	Balance as at December 31, 2020
LMW	3,287	-	-	3,287
MTR	2,472	-	-	2,472
ARM	2,730	-	-	2,730
MTL	21,344	-	-	21,344
NBNF	2,094	-	-	2,094
SCI	1,907	-	-	1,907
ESP	2,231	-	-	2,231
I-XL	1,273	-	-	1,273
SDL	4,137	-	6	4,143
TMMI (Note 5)	3,730	22	-	3,752
WIL (Note 5)	2,547	-	-	2,547
VCL (Note 5)	2,848	(73)	-	2,775
	50,600	(51)	6	50,555

**Intangible assets and goodwill net book value**

Balance, December 31, 2019	144,661
<b>Balance, December 31, 2020</b>	<b>132,469</b>

During the year ended December 31, 2020, post close adjustments were finalized for the TMMI and VCL acquisitions resulting in measurement period adjustments to the goodwill balances. Goodwill has an infinite life and is not amortized but is tested for impairment on an annual basis. The Corporation performs goodwill testing as of September 30 each year. The recoverable amounts of the CGUs were determined using a value-in-use calculation incorporating discounted cash flows. The key assumptions used by management in the estimation of the recoverable amounts are set-out below. The values assigned to the key assumptions represents management's assessment of future trends in the relevant industries.

% As at December 31	2020	2019
Discount rates	14.1 – 15.6	14.5 - 15.6
Revenue growth rates	-14.0 – 78.0	2.0 - 5.0
EBITDA margins	8.5 – 67.3	5.0 - 60.0

The discount rate was a pre-tax measure based on the rate of long-term government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The cash flow projections include specific management approved forecasts for five years and a terminal growth rate thereafter. During 2020, the Corporation's operations, financial position and performance were impacted by the outbreak of the Pandemic through measures adopted by governments which mandated temporary closures of certain businesses and management's forecasts include significant year-over-year revenue growth post-pandemic as the CGU's financial results return to pre COVID-19 levels. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make. Forecast EBITDA margins were based on expectations of future outcomes taking into account past experience, adjusted for anticipated future growth. These valuations are categorized in level 3 of the fair value hierarchy.

Impairment losses are non-cash charges that could have a material effect on the Corporation's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities or debt covenants and will not have an impact on its future operations. As a result of the annual impairment test, the Corporation did not identify any goodwill impairment for the years ended December 31, 2020 and 2019.

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

The Pandemic impact on certain industries was more pronounced than others, including construction and personal services businesses in which IXL and CBV operate. The government measures introduced to mitigate the spread of COVID-19 and the resulting impact on operations constituted a triggering event for IXL and CBV and management performed an updated goodwill impairment analysis as of December 31, 2020 using assumptions that reflected lower EBITDA and a delay in the return to pre-COVID-19 levels of profitability. Due to the high level of uncertainty, significant judgement was required to predict the full extent and duration of the Pandemic on the operations of IXL and CBV. The recoverable amounts exceeded the carrying amounts for both IXL and CBV resulting in no impairment.

The following inputs are highly sensitive and changes in assumptions would have resulted in an impairment charge recognized for CBV:

<b>As at December 31, 2020</b>	<b>Model inputs %</b>	<b>Sensitivities %</b>	<b>Impairment \$</b>
Discount rates	15.7	+ 0.5	237
Revenue growth rates	2.7 - 46.0	- 1 per year	537
EBITDA margins	20.8 - 32.0	- 1 per year	837

## **10. CREDIT FACILITY**

A summary of the balances outstanding under the credit facility is set out below:

<b>\$ As at December 31</b>	<b>2020</b>	<b>2019</b>
<b>Bank indebtedness</b>		
Revolving operating line	-	2,500
<b>Long term:</b>		
Revolving syndicated facility	72,200	69,700
Term facility	28,000	34,000
Unamortized debt issue costs	(877)	(1,056)
Total credit facility outstanding	99,323	105,144
Less: current portion, term facility	(8,000)	(8,000)
<b>Long term portion</b>	<b>91,323</b>	<b>97,144</b>

The Corporation has a \$131,000 committed syndicated credit facility comprising of a \$94,000 syndicated revolving facility, \$32,000 term facility and a \$5,000 revolving operating facility (the "Credit Facility"), which matures April 22, 2022. Collateral has been granted by a general security agreement and continuing guarantee providing security over all present and after acquired property and a floating charge on lands. Advances under the syndicated facility may be made by way of Canadian prime rate loans, US dollar base rate loans, bankers' acceptances, LIBOR loans and letters of credit. Advances under the term facility may be made by way of Canadian prime rate loans, and bankers' acceptances. Advances under the operating facility may be made by way of Canadian prime rate loans and US dollar base rate loans.

Interest is payable for prime-based loans at the financial institution's prime rate plus a sliding scale pricing grid tied to the Corporation's net funded debt to EBITDA ratio, calculated on a trailing twelve-month basis. The interest pricing margin ranges from 0.50% to 4.75% as at December 31, 2020 (December 31, 2019 – 0.50% to 2.75%) and is dependent upon the form of borrowing. For the year ended December 31, 2020, the Credit Facility average interest rate was 5.84% (December 31, 2019 – 5.63%).

The Corporation is required to make quarterly principal repayments on the term facility in amounts of \$2,000 per quarter. Effective June 30, 2020, the Credit Facility was amended in response to COVID-19 with adjustments made to principal repayments and changes to the financial covenants covering the quarterly reporting periods from June 30, 2020 to June 30, 2021. Amendments were as follows: the March 31, 2020 principal repayment was waived and the September 30, 2020 and December 31, 2020 principal repayments were reduced to \$1,000. In addition, on or before June 30, 2021, the Corporation is to receive aggregate net proceeds of not less than \$10,000 from the issuance of equity securities (Minimum Equity) by the Partnership or the Trust on or before June 30, 2021 of which \$2,000 is to be received on or before December 31, 2020 and an amount not less than \$6,000 to be received on or before March 31, 2021. The amendment was accounted for as a modification with transaction costs included in the modified balance.

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

In December 31, 2020, EIC and the lenders amended the Credit Facility to recognize that the Corporation had received a Minimum Equity amount of \$1,344 and a principal repayment of \$3,000 on the term facility. Subsequent to year end, the Corporation received an additional \$8,000 of Minimum Equity. From and after June 30, 2021, the Corporation may, by request, and consent of the lenders, increase the Credit Facility up to an aggregate amount of \$160,000.

The Credit Facility imposes a number of positive and negative covenants, including the maintenance of certain financial covenants which are tested at each reporting date, calculated on a trailing twelve-month basis. The covenants are:

- i) net funded debt to EBITDA ratio not to exceed 3.75:1.00 at December 31, 2019, 5.50:1.00 at June 30, 2020, 5.25:1.00 at September 30, 2020, 5.00:1.00 at December 31, 2020 and March 31, 2021, 4.50:1.00 at June 30, 2021 and subsequent must not exceed 3.50:1.00;
- ii) fixed charge coverage ratio must not be less than 1.00:1.00, which is calculated as the trailing twelve-month adjusted EBITDA to adjusted finance obligations (which include scheduled principal repayments, net financing charges, less net proceeds received on equity issuances) and debt service coverage; and
- iii) debt service coverage ratio which measures adjusted cash flow to EBITDA must not be less than 1.15:1.00.

The Corporation was in compliance with its covenants at December 31, 2020 and December 31, 2019

## **11. LEASE OBLIGATIONS**

The Corporation leases certain offices and corporate buildings and other equipment. Equipment leases are secured by the underlying assets while the office and corporate building leases are unsecured.

\$ As at December 31	2020			2019		
	Office and Corporate Buildings	Other Equipment	Total	Office and Corporate Buildings	Other Equipment	Total
Current	7,301	237	<b>7,538</b>	6,508	207	6,715
Non-current	50,993	572	<b>51,565</b>	44,771	611	45,382
	58,294	809	<b>59,103</b>	51,279	818	52,097

The COVID-19 pandemic resulted in the Corporation receiving rent concessions on certain leases in the form of rent forgiveness and rent deferrals. Deferrals are to be repaid at later dates. The Corporation elected to apply the practical expedient under IFRS 16 and bypass the need to carry out an assessment to determine if the COVID-19 related rent concessions represent a lease modification. The Corporation applied the practical expedient consistently across all leases impacted by COVID-19.

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

Below is a summary of the activity related to lease liabilities:

<b>\$</b>		
<b>For the years ended December 31,</b>	<b>2020</b>	<b>2019</b>
Balance, January 1, 2019	52,097	59
Additions	13,414	29,799
Additions - acquisitions	-	27,264
Interest – lease obligations (Note 19)	3,570	2,478
Interest payments on lease obligations	(3,531)	(2,478)
Principal payments on lease obligations	(6,580)	(4,132)
Payments on leases classified as held for sale	-	(527)
Application of security deposits	(18)	-
Transfer to assets held for sale	280	-
Loss on disposal of subsidiary	-	(178)
Gain on disposal of assets	-	(188)
COVID-19 rent concessions (Note 24)	(132)	-
Foreign exchange differences	3	-
Balance, December 31, 2020	59,103	52,097
Less: lease obligations – current portion	(7,538)	(6,715)
	51,565	45,382

**Undiscounted Minimum Lease Payments**

<b>\$</b>	<b>Office and Corporate Buildings</b>	<b>Other Equipment</b>	<b>Total</b>
<b>As at December 31, 2020</b>			
Current	10,780	282	11,062
Later than 1 year and not later than 3 years	29,306	615	29,921
Thereafter	35,560	11	35,571
	75,646	908	76,554

**Amounts Recognized in Profit and Loss**

<b>\$</b>						
<b>For the years ended December 31</b>		<b>2020</b>			<b>2019</b>	
	<b>Office and corporate buildings</b>	<b>Other equipment</b>	<b>Total</b>	<b>Office and corporate buildings</b>	<b>Other equipment</b>	<b>Total</b>
Depreciation expense on leased assets	4,953	245	5,198	4,046	150	4,196
Interest expense on lease liabilities (Note 19)	3,510	60	3,570	2,438	40	2,478
Expense relating to short term leases	-	-	-	89	-	89
Expense relating to leases of low value assets	-	-	-	2	-	2
Income from subleasing (Note 19)	(1,286)	-	(1,286)	(582)	-	(582)
COVID-19 rent concessions (Note 24)	(132)	-	(132)	-	-	-
	7,045	305	7,350	5,993	190	6,183

The Corporation does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored on an on-going basis.

## 12. PROMISSORY NOTES PAYABLE

Promissory notes payable includes notes issued to the Partnership, notes payable to holders of NCIs and vendor take-back (VTB) promissory notes issued as part of business combinations.

\$ As at December 31	2020	2019
Promissory notes payable – Partnership (Note 14)	154,024	149,335
Promissory notes payable – NCIs	20,591	20,782
Promissory notes payable – VTB	1,600	1,763
	176,215	171,880
Less: current portion	(3,169)	(3,482)
Long-term portion	173,046	168,398

### 12.1 Promissory notes payable – Partnership

The Partnership receives funds via the issuance of preferred partnership units and the issuance of promissory notes payable. These funds are loaned to the Corporation by the Partnership and are unsecured and subordinated to the Credit Facility (Note 10). During the year ended December 31, 2019, the Corporation issued \$6,750 of promissory notes to the Partnership, of which \$4,500 was non-cash. These funds were advanced to the Partnership via the issuance of promissory notes payable to the Corporations' directors and bear interest at 8% per annum. The Corporation did not issue any promissory notes to the Partnership during the year ended December 31, 2020 that were in relation to the Corporation's directors.

The promissory notes payable to the Partnership bear annual interest rates as noted below. Interest is calculated monthly and paid on a quarterly basis. There are no set terms of repayment, however, repayment is limited to a maximum of \$10 per month and is based on when the Partnership receives notification of redemption from its unitholders. The Partnership, through its parent, has a dividend reinvestment plan (DRIP) available to its investors. Reinvestment occurs on a quarterly basis and is considered a non-cash advance. Effective December 2019, the interest rates on the promissory notes payable has been reset to 0% with the exception of \$4,591 (December 31, 2019 - \$6,750) in convertible promissory notes payable to Directors of the General Partner.

During the year ended December 31, 2020, the Corporation recorded \$513 (December 31, 2019 - \$13,189) in interest expense to the Partnership and as at December 31, 2020, the Corporation owed \$649 (December 31, 2019 - \$2,567) in interest payable to the Partnership.

\$	Annual interest rates						Total
	10%	10.25%	9%	8%	7%	Issue Costs	
Balance, December 31, 2018	84,529	1,298	33,346	62,976	1,947	(5,222)	178,874
Issuance	-	-	10,000	15,396	30	-	25,426
Issuance – DRIP	810	28	262	307	11	-	1,418
Repayment	(23,075)	-	(11,018)	(23,645)	(493)	-	(58,231)
Issue costs	-	-	-	-	-	(59)	(59)
Issue cost amortization	-	-	-	-	-	1,907	1,907
<b>Balance, December 31, 2019</b>	<b>62,264</b>	<b>1,326</b>	<b>32,590</b>	<b>55,034</b>	<b>1,495</b>	<b>(3,374)</b>	<b>149,335</b>
Issuance	-	-	-	3,206	-	-	3,206
Issuance – DRIP	102	9	36	45	2	-	194
Repayment	(123)	-	(25)	(13)	-	-	(161)
Issue cost amortization (Note 19)	-	-	-	-	-	1,450	1,450
<b>Balance, December 31, 2020</b>	<b>62,243</b>	<b>1,335</b>	<b>32,601</b>	<b>58,272</b>	<b>1,497</b>	<b>(1,924)</b>	<b>154,024</b>
Less: current portion							(120)
Long-term portion							153,904

## 12.2 Promissory notes payable – NCIs

Promissory notes issued to NCIs are unsecured and subordinated to the Credit Facility (Note 10).

\$ As at December 31	2020	2019
Opening balance	20,782	17,307
Issued	-	7,463
Disposal of subsidiary	-	(2,795)
Repaid	(191)	(1,193)
Closing balance	20,591	20,782
Less: current portion	(2,949)	(3,158)
Long-term portion	17,642	17,624

The promissory notes payable – NCIs is comprised of:

\$ As at December 31	Notes	Facility type	2020	2019
MTL	i	Preferred shares	11,563	11,563
MTL	ii	Promissory note	-	210
NBNF	iii	Promissory note	2,949	2,949
SDL	iv	Promissory note	617	607
TMMI	v	Promissory note	332	323
WIL	vi	Preferred shares	5,130	5,130
Total			20,591	20,782

- i. Preferred shares issued to NCI shareholders of MTL as a result of the acquisition of MTL. These preferred shares are included in promissory notes as they have the characteristics of a liability. The preferred shares bear interest at 12% per annum, compounded and due monthly. At any time, after a principal repayment by MTL to the Corporation, the preferred shares are redeemable in proportion to the principal repayment by MTL to the Corporation.
- ii. Promissory note issued to NCI shareholders of MTL is unsecured, bears interest at 8.5% per annum, compounded and due monthly. The promissory note matured on June 30, 2020.
- iii. Demand promissory note issued to NCI shareholder as a result of the acquisition of NBNF. The promissory note bears interest at 12% per annum, compounded and paid monthly and is secured by a first priority interest on NBNF's assets.
- iv. Promissory note issued to the NCI shareholder of SDL, has no set terms of repayment and is subordinated to the Credit Facility. The promissory note bears interest at 12% per annum, compounded and due monthly.
- v. Promissory note issued to the NCI shareholder of TMMI as a result of the acquisition. The promissory note has no set terms of repayment and is subordinate to the Credit Facility. The promissory note bears interest at 12% per annum, compounded and due monthly.
- vi. Preferred shares issued to the NCI shareholders of WIL as a result of the acquisition and are included in promissory notes payable as they have the characteristics of a liability. The preferred shares bear interest at 15% per annum, compounded and due monthly. At any time, after a principal repayment by WIL to the Corporation, the preferred share are redeemable in proportion to the principal repayment by WIL to the Corporation.



### 12.3 Promissory notes payable – VTB

VTB promissory notes are unsecured and subordinated to the Credit Facility. The Corporation may pay the unpaid portion of principal in full, in advance of the anniversary date without penalty.

\$ As at December 31	2020	2019
Opening balance	1,763	300
Issued	-	1,750
Repaid	(163)	(287)
Closing balance	1,600	1,763
Less: current portion	(100)	(163)
Long-term	1,500	1,600

VTB promissory notes comprised of:

\$ As at December 31	Notes	2020	2019
NBNF	i	100	200
TMMI	ii	1,000	1,063
VCL	iii	500	500
Total VTB		1,600	1,763

- i. VTB note issued during 2018 as a result of an acquisition of a franchisee by NBNF. The promissory note bears interest at 6% per annum, payable quarterly, with principal payments of \$100 due annually beginning November 1, 2019.
- ii. As part of the acquisition of TMMI, two promissory notes totalling \$1,250 were issued to the vendors as part of the acquisition of TMMI. One promissory note in the amount of \$250 bears no interest and is due April 5, 2020, with principal repayments of \$20 per month. The second promissory note of \$1,000, is due April 5, 2024, bears interest at 7% per annum, calculated daily, payable monthly in arrears.
- iii. As part of the acquisition of VCL, a promissory note was issued to the vendor for \$500, is due December 31, 2022, bears interest at 5% per annum, calculated daily and payable annually in arrears.

## 12.4 Promissory notes interest payable

\$ As at December 31	2020	2019
Promissory notes interest payable - Partnership (Note 14)	649	2,567
Promissory notes interest payable - NCI:		
MTL	276	417
NBNF	89	90
SDL	84	8
TMMI	6	9
WIL	50	86
	505	610
Promissory notes interest payable - VTB	27	-
<b>Promissory notes interest payable</b>	<b>1,181</b>	<b>3,177</b>

## 13. OTHER LONG-TERM LIABILITIES

As at December 31, 2020, other long-term liabilities include rental deposits on hand related to sublease arrangements (Note 8) as at December 31, 2020 of \$171 (December 31, 2019 - \$162)

## 14. RELATED PARTY TRANSACTIONS

The following related party balances were outstanding, and included in the following financial statement line items:

### 14.1 Related Party Balances

\$ As at December 31	Notes	2020	2019
Due from related parties	i	6,417	6,441
Due to related parties	ii	(42)	(490)
Promissory notes interest payable – Partnership (Note 12)		(649)	(2,567)
Promissory notes payable – Partnership (Note 12)		(154,024)	(149,335)

- (i) Due from related parties at December 31, 2020 includes \$160 (December 31, 2019 - \$266) owed from companies with common directors for expenses paid by the Corporation on behalf of these entities. These balances are unsecured, non-interest bearing and made on normal trade terms. The balances are unsecured and have no set terms of repayment.

Due from related parties at December 31, 2020 includes \$6,257 (December 31, 2019 - \$6,175) owed from the Partnership, Trust and related funds and relates to amounts owed as reimbursement of operating expenses and \$4,500 of non-cash proceeds from the Partnership's issuance of promissory notes to directors of the Partnership (Note 12). Of the \$6,417 due from related parties, \$6,197 has been classified as long-term as the amounts due from the Partnership have been waived by the Corporation for the next twelve months.

- (ii) Due to related parties at December 31, 2020 includes \$42 (December 31, 2019 - \$490) of amounts owing to companies with common management and represents expenses paid by those entities and amounts advanced as promissory notes payable. These balances are unsecured, non-interest bearing and made on normal trade terms. The balances are unsecured and have no set terms of repayment.

#### 14.2 Related Party Income and Expenses

The Corporation incurred costs by virtue of a cost reimbursement agreement with its related parties, which incurred the expenditures as agent on behalf of EIC. During the year ended December 31, 2020, the Corporation reimbursed costs of \$70 (December 31, 2019 - \$2,113) in relation to costs of operations incurred by the Partnership, \$327 (December 31, 2019 - \$291) in relation to costs of operations of the Trust and \$1 (December 31, 2019 - \$295) in costs of operations of a related corporation.

During the year ended December 31, 2020, the Corporation paid \$207 (December 31, 2019 - \$593) in rent for rental premises owned by NCI shareholders and the respective management of those entities. These parties retained ownership of the premises on acquisition of the business.

#### 14.3 Key Management Compensation

During the year ended December 31, 2020, the Corporation incurred a total of \$2,305 (December 31, 2019 - \$1,982) in management fees which was paid to an entity controlled by the Directors. A portion of these fees is paid to arms length investment dealers as consideration for raising funds for the Partnership directly which is invested in EIC by the issuance of promissory notes receivable from EIC.

### 15. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

On December 31, 2019, the Corporation entered into a sale agreement to dispose of North West Crane Enterprises Ltd. (NWC) to the senior management team of NWC (the Purchasers) for one Canadian dollar. Concurrent with execution of the agreement, the Purchasers repaid a portion of the promissory note owing to the Corporation in the amount of \$5,000. The remaining amount owing on the promissory note was forgiven by the Corporation. The disposal was executed to strengthen the portfolio through deploying the proceeds into the acquisition of VCL (Note 5), a growth initiative more closely aligned with the Corporation's strategy. The disposal was completed on December 31, 2019, which is the date control of NWC transferred to the Purchasers. Results from NWC for the years ended December 31, 2019 are reported in discontinued operations.

During the year ended December 31, 2019, management of SCI initiated efforts to sell the corporate store locations to focus on the franchisee royalty business model. The assets and liabilities have been classified as held for sale while the related financial results have been recorded as a discontinued operation. During the year ended December 31, 2020, the sale of two of the SCI corporate store locations were finalized resulting in the assets and liabilities previously classified as held for sale being de-recognized and a gain of \$73 recognized within discontinued operations. Management's plans to finalize the sale of the remaining corporate store did not materialize during the year ended December 31, 2020 and as such, the assets and liabilities have been reclassified out of held for sale.

The SCI assets and liabilities classified as held for sale are set out below:

\$ As at December 31	2020	2019
Cash	-	-
Prepaid expenses and deposits	-	29
Inventory	-	16
Leased assets	-	1,005
Property and equipment	-	116
<b>Total assets held for sale</b>	<b>-</b>	<b>1,166</b>
Liabilities directly associated with assets held for sale		
Lease obligations	-	1,166
<b>Total liabilities held for sale</b>	<b>-</b>	<b>1,166</b>

## Financial performance

Financial results recorded in discontinued operations are set out below:

\$ For the years ended December 31	2020	2019
Revenue	489	14,156
Expenses	661	15,910
Operating loss	(172)	(1,754)
Depreciation and amortization	-	620
Interest expense	-	71
Impairment on write-down of assets held for sale	-	184
Loss (gain) on disposal of assets	(73)	134
Net loss on discontinued operations	(99)	(2,763)

During the year ended December 31, 2019, the Corporation recognized an after-tax loss of \$5,387 on the disposition of NWC as follows:

\$	2019
<b>Proceeds:</b>	<b>\$5,000</b>
Net cash consideration:	
Non-current assets	555
Current assets	11,416
Total assets	11,971
Non-current liabilities	(2,864)
Current Liabilities	(2,438)
Total Liabilities	(5,302)
<b>Net assets derecognized</b>	<b>6,669</b>
Non-controlling interest on disposition of subsidiary	(3,718)
<b>Loss on disposal of subsidiary</b>	<b>(5,387)</b>

Working capital of \$8,978 is included in the net assets derecognized. The loss on disposal is recorded in expenses on the consolidated statements of comprehensive loss and the cumulative non-controlling interest of \$3,718 was eliminated on disposition.

## 16. COMMON SHARES

### 16.1 Authorized

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series, with rights and privileges to be determined at time of issue. The holders of common shares are entitled to vote, and holders of preferred shares are entitled to receive dividends as declared by the Board of Directors.

## 16.2 Issued

All of the issued and outstanding common shares of the Corporation are held by the Partnership.

	# Shares	\$
Balance, December 31, 2018	191,940	192
Issued for cash	1,614	2
<b>Balance, December 31, 2019 and 2020</b>	<b>193,554</b>	<b>194</b>

## 17. REVENUE

\$ For the years ended December 31	2020	2019
<b>Revenue from:</b>		
Product sales	141,801	148,790
Service sales	52,791	52,225
Royalty and franchise income	7,056	8,074
Government grants (Note 20)	12,368	-
Other income	1,438	1,590
<b>Total revenue</b>	<b>215,454</b>	<b>210,679</b>

## 18. OPERATING EXPENSES

\$ For the years ended December 31	2020	2019
Cost of goods sold	131,972	136,718
General and administrative expenses	53,018	50,982
<b>Total operating expenses</b>	<b>184,990</b>	<b>187,700</b>

## 19. NET FINANCE EXPENSE

\$ For the years ended December 31	2020	2019
<b>Interest expense:</b>		
Partnership	513	13,189
NCI and VTB promissory notes	2,327	1,873
Credit facility	6,274	5,049
Lease liabilities	3,570	2,478
Interest accretion – issue costs	1,450	1,907
Amortization of deferred issuance costs	675	470
	<b>14,809</b>	<b>24,966</b>
<b>Interest income:</b>		
Subleases	(1,286)	(582)
Other interest	(112)	(256)
	<b>(1,398)</b>	<b>(838)</b>
<b>Net finance expense</b>	<b>13,411</b>	<b>24,128</b>

## 20. GOVERNMENT GRANTS

On April 1, 2020, the Government of Canada introduced the Canada Emergency Wage Subsidy (CEWS or the Subsidy) to help employers protect jobs, rehire employees and provide workers with a supplemented income. The Subsidy covers 75 percent of an employee's wages, up to a maximum of \$847 per week for employers who have been impacted by the COVID-19 pandemic. The CEWS currently covers the period from March 15, 2020 to June 30, 2021 and requires certain criteria to be met in order to qualify. The Government of Canada also requires that employers make best efforts to supplement employee wages to their pre-COVID-19 level through the use of the Subsidy.

The Corporation recorded \$12,368 in other income representing the amount expected to be received through the CEWS program during the year ended December 31, 2020 (December 31, 2019 - \$nil) and had a balance of \$1,575 recorded as at December 31, 2020 (December 31, 2019 - \$nil) as receivable from the Government of Canada.

## 21. INCOME TAXES

Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 27.29% (December 31, 2019 – 26.56%) to loss before income taxes as follows:

<b>\$</b> <b>For the years ended December 31,</b>	<b>2020</b>	<b>2019</b>
Loss before income taxes	(7,775)	(26,315)
Tax rate	27.29%	26.56%
Expected income tax provision	(2,122)	(6,990)
Non-deductible expenses	249	5,089
Change in tax rates	(258)	1,715
Other	117	94
Adjustment to prior years provisions versus statutory tax returns	2,094	(425)
Change in unrecognized deferred tax assets	1,771	(4,107)
Total	1,851	(4,624)

Significant components of the deferred tax assets and liabilities are as follows:

<b>\$</b> <b>As at December 31,</b>	<b>2020</b>	<b>2019</b>
Property and equipment	3,876	3,378
Intangible assets	(10,082)	(10,202)
Share issue costs and other	31	(153)
Net lease asset (obligation)	997	577
Deferred tax liabilities	(5,178)	(6,400)
Non-capital losses	12,216	11,666
Unrecognized deferred tax assets	(7,038)	(5,266)
Total	-	-



## 22. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

Financial instruments recorded in the Consolidated Statements of Financial Position are categorized based on the fair value hierarchy of inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

The estimated fair values of financial instruments as at December 31, 2020 and 2019 are based on relevant market prices and information available as at the period-end and represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgement. Transfers between the three levels are recognized on the date of the event or change in circumstances that caused the transfer. There have been no transfers between the fair value hierarchy during the years ended December 31, 2020 and December 31, 2019.

The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below:

Financial Instruments	Fair Value Method
Cash, accounts receivable, due from related parties, accounts payable and accrued liabilities, promissory notes interest payable, promissory notes payable and due to related parties	<b>Amortized cost</b> Assumed to approximate carrying value due to short-term nature
Sublease receivables	Determined using a risk-adjusted interest rate to discount future cash receipts (Level 2)
Credit facility	Determined using quoted market prices for the same or similar issues. Fair value is determined using the discounted cashflow analysis based on the Corporation's current borrowing rate. (Level 2)
Interest rate swap	<b>Fair Value through profit and loss</b> Determined using interest rate yield curves at the period-end (level 2)
Foreign exchange forward and variable collar contracts	Determined using USD foreign exchange rate yield curves at period – end (Level 2)
Contingent consideration	The expected payment is determined by considering possible scenarios of achieved EBITDA targets, the amount to be paid and the probability under each scenario (Level 3)

At December 31, 2020, the Corporation had the following derivative financial instruments presented as risk management contracts outstanding:

**Interest rate swap** for the purpose of limiting interest rate risk on the variable future cash flows of long-term debt. The interest rate swap is based on a notional \$50,000 of outstanding debt under the Credit Facility. The Corporation pays interest at 2.03% per annum, and receives the floating bank rate. This interest rate swap expires June 22, 2022.

**Foreign exchange contracts** made up of forward contracts and variable rate collars to limit exposure on USD denominated purchases. These contracts have expiry dates ranging from July 2021 through to October 2021. These contracts are based on a maximum notional amount of \$200 and settle on a bi-weekly basis.

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

Fair value of derivative financial instruments outstanding:

<b>\$</b> <b>As at December 31,</b>	<b>2020</b>	<b>2019</b>
Interest rate swap	1,170	274
Foreign exchange contracts	284	-
<b>Total fair value</b>	<b>1,454</b>	<b>274</b>

Below is a summary of the gains and losses recognized in the consolidated statements of comprehensive loss for the year ended December 31, 2020:

<b>\$</b> <b>For the years ended December 31</b>	<b>2020</b>	<b>2019</b>
Loss on interest rate swap	896	274
Loss on foreign exchange forward contract	283	-
<b>Change in fair value on risk management contracts</b>	<b>1,179</b>	<b>274</b>
<b>Change in fair value of contingent consideration</b>	<b>2,856</b>	<b>-</b>

Financial liabilities of \$1,047 on the fair value mark-to-market of risk management contracts are recognized as current (December 31, 2019 - \$27) and \$407 are recognized in other long-term liabilities (December 31, 2019 - \$247) in the consolidated statements of financial position.

During the year ended December 31, 2020, the contingent consideration was remeasured to fair value, resulting in an increase to \$4,000. The change in fair value of contingent consideration of \$2,600 was recognized in the consolidated statements of comprehensive loss.

## **23. FINANCIAL RISK MANAGEMENT**

### **23.1 Financial risks**

The Corporation's activities expose it to a variety of financial risks that arise as a result of its operating and financing activities.

The Corporation employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework, management has the responsibility to administer and monitor these risks.

#### **23.1.1 Credit risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at December 31, 2020 and 2019 is as follows:

#### **Cash and restricted cash**

The Corporation manages the credit exposure related to cash and restricted cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

#### **Accounts receivable**

Accounts receivable are comprised of trade receivables. All amounts over 90 days outstanding are considered overdue. Trade receivables are aged as follows:

<b>As at December 31</b>	<b>2020</b>	<b>2019</b>
Current	16,252	16,550
31 to 60 days	5,491	6,933
61 to 90 days	1,458	5,546
91+ days	4,592	7,051
Expected credit losses	(2,423)	(1,439)
<b>Total</b>	<b>25,370</b>	<b>34,641</b>

**Equicapita Investment Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(In thousands of Canadian \$ unless otherwise noted)*

The Corporation is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure and risks. The Corporation reassesses expected credit loss rates regularly using experienced credit judgment that involves review of qualitative and quantitative factors that are indicative of the risk of default.

At December 31, 2020 and 2019, the Corporation had no significant concentration of revenue or accounts receivable.

**Due from related parties**

The Corporation manages the credit exposure related to amounts due from related parties by monitoring the activities of the related parties.

**23.1.2 Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions.

The following table represents the contractual maturities of the Corporation's financial liabilities:

<b>\$</b> <b>As at December 31, 2020</b>	<b>&lt; 1 year</b>	<b>1-3 years</b>	<b>Thereafter</b>	<b>Total</b>
Accounts payable and accrued liabilities	17,299	-	-	17,299
Income taxes payable	1,247	-	-	1,247
Promissory note interest payable	1,181	-	-	1,181
Credit facility	8,000	92,200	-	100,200
Lease obligations	11,062	29,921	35,571	76,554
Promissory notes payable	3,169	860	172,186	176,215
Due to related parties	42	-	-	42
Risk management contracts	1,047	407	-	1,454
Contingent liability	623	-	-	623

<b>\$</b> <b>As at December 31, 2019</b>	<b>&lt; 1 year</b>	<b>1-3 years</b>	<b>Thereafter</b>	<b>Total</b>
Bank indebtedness	2,500	-	-	2,500
Accounts payable and accrued liabilities	30,238	-	-	30,238
Income taxes payable	793	-	-	793
Promissory note interest payable	3,177	-	-	3,177
Credit facility	8,000	98,200	-	106,200
Lease obligations	9,932	25,984	30,623	66,539
Promissory notes payable	3,482	960	167,438	171,880
Due to related parties	490	-	-	490
Risk management contracts	27	247	-	274
Contingent liability	-	1,492	-	1,492

**23.1.3 Market risk**

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation's net earnings or the value of financial instruments. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

### Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk on the variable rate of interest outstanding bank indebtedness. The cash flow required to service the interest on these facilities will fluctuate as the result of changes to market interest rates. If interest rates changed by 100 basis points, the Corporation's net loss for the year ended December 31, 2020 would be affected by \$1,083 (December 31, 2019 - \$1,643). The sensitivity assumes that the change in rates takes place at the beginning of the financial year and is held constant throughout the reporting period.

The Corporation's related party interest-bearing promissory notes at December 31, 2020 and December 31, 2019 are at fixed interest rates. Consequently, the Corporation is exposed to interest rate risk on its related party promissory notes. Effective December 2019, the interest rates on the promissory notes payable to the Partnership have been reset to 0%. with the exception of \$4,591 (December 31, 2019 - \$6,750) in convertible promissory notes payable to Directors of the General Partner.

### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from financial instruments (including cash, accounts receivable and accounts payable and accrued liabilities) that are denominated in a currency other than Canadian dollars. If the Canadian dollar had strengthened or weakened by 5% in relation to the US dollar as at December 31, 2020, net loss would have decreased or increased by approximately \$32 (December 31, 2019 - \$14).

## 23.2 Capital Management

The Corporation's objective in managing capital is to ensure it has sufficient working capital and access to sources of capital sufficient to finance its operations and to make planned capital expenditures or business acquisitions as opportunities present themselves. The Corporation manages its capital structure and makes changes to it in light of changes in economic conditions, anticipated or planned capital expenditures, opportunities for acquisitions and the risk characteristics of the underlying investments. The Corporation defines its capital as the aggregate of long-term debt (including the current portion), promissory notes payable to the Partnership and shareholders' deficit.

The Corporation has entered into an agreement with the Partnership and the Trust whereby the Trust will access capital markets to raise capital to be invested in the Partnership directly, and indirectly in the Corporation.

The Corporation is subject to restrictive covenants related to its Credit Facility (Note 10). In addition, there is a restriction on the amount of redemption payments related to the promissory notes payable – Partnership (Note 12).

## 24. CASH FLOW INFORMATION

Adjustments to reconcile net loss to cash flows from operating activities comprise the following:

<b>\$</b>		
<b>For the years ended December 31</b>	<b>2020</b>	<b>2019</b>
Deferred tax recovery	-	(5,148)
Depreciation and amortization	20,785	16,856
Amortization of debt issuance costs	2,123	2,377
Impairment on write-down of assets held for sale	-	184
Loss on disposal of a subsidiary	-	5,387
(Gain) loss on disposal of property and equipment	(91)	22
Interest expense, net of interest income	11,288	21,751
Unrealized losses on derivative financial instruments	1,179	274
Change in fair value of contingent consideration	2,856	-
Expected credit loss expense	1,405	716
Provision for inventory impairment	992	1,750
Unrealized foreign exchange (gain) loss	(47)	395
Gain on rent concessions	(132)	-
<b>Total</b>	<b>40,358</b>	<b>44,564</b>

## 25. COMMITMENTS AND CONTINGENCIES

As at December 31, 2020, the Corporation had contingent liabilities of \$623 (December 31, 2019 - \$1,492).

\$ For the years ended December 31	Notes	2020	2019
Current			
WIL	i	540	-
MTL	ii	83	-
		623	-
Long-term			
WIL	i	-	1,400
MTL	ii	-	92
		-	1,492
<b>Total</b>		<b>623</b>	<b>1,492</b>

- i. Represents the fair value of an earn out provision whereby the NCI shareholders of WIL receive 30% of WIL's EBITDA over a \$3,500 threshold on an annual basis to a maximum of \$4,000. The earn out provision is based on a 24-month period effective from the acquisition date of WIL and is paid annually. During the year ended December 31, 2020 the consideration was remeasured resulting in a change in fair value of contingent consideration of \$2,600 and a cash settlement on the first earn-out period in the amount of \$3,460.
- ii. Represents the fair value of an earnout provision on an asset purchase agreement effective October 16, 2018, whereby MTL is to pay 25% of gross revenues collected after the effective date for a period of 36 months to a maximum cumulative amount of \$100. During the year ended December 31, 2020, cash settlement was made in the amount of \$9.

## 26. COMPARATIVE PERIOD BALANCES

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Adjustments have been made to the consolidated statements of financial position, consolidated statements of comprehensive loss and consolidated statements of cash flows. Note 10 – Credit Facility to reflect the reclassification of the revolving operating facility to current, Note 12 – Promissory Notes Payable and Note 14 – Related Party Transactions to reflect a prior year reclassification between promissory notes interest payable and due from related parties for distributions owing to the Partnership that were previously presented on a net basis, Note 17 – Revenue and Note 18 – Operating Expenses to reflect the gross up of certain revenue contracts that were previously reported net and Note 24 – Financial Risk Management to reflect the current portion of the interest rate swap.

## 27. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Partnership issued 3,152,585 Preferred Trust Units, series B for gross proceeds of \$3,000,000 and 5,254,308 Preferred Trust Units, series C for gross proceeds of \$5,000,000. The Partnership received proceeds from the Trust of \$8,000,000 and subsequently advanced those funds to the Corporation as promissory notes.

**ITEM 13 - DATE AND CERTIFICATE**

DATED: April 14, 2021

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

**EQUICAPITA INCOME TRUST, by its Administrator, EQUICAPITA INCOME GP LTD.**

(signed) "Stephen Johnston"

Stephen Johnston  
Director

(signed) "Michael Cook"

Michael Cook  
Director

(signed) "Matthew Barr"

Matthew Barr  
Director

**EQUICAPITA INCOME GP LTD., as Administrator**

(signed) "Stephen Johnston"

Stephen Johnston  
Director

(signed) "Michael Cook"

Michael Cook  
Director

(signed) "Matthew Barr"

Matthew Barr  
Director

**By the Board of Directors of EQUICAPITA INCOME GP LTD.**

(signed) "Stephen Johnston"

Stephen Johnston  
Director

(signed) "Michael Cook"

Michael Cook  
Director

(signed) "Matthew Barr"

Matthew Barr  
Director