

# CONFIDENTIAL OFFERING MEMORANDUM

November 21, 2016

Continuous Offering

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## Absolute Sustainable Dividend Fund

<b>Investment Objective:</b>	The investment objective of the Absolute Sustainable Dividend Fund (the “Fund”) is to generate long term capital appreciation while focusing on preservation of capital by combining sustainable, responsible and values-based investing principles. The Fund primarily invests in a diversified portfolio of Canadian & global dividend-paying public companies.
<b>Manager:</b>	Crystal Wealth Management System Limited
<b>Lead Portfolio Strategist:</b>	Clayton Smith, CAIA
<b>Structure:</b>	Mutual fund trust
<b>Registered Plan Eligibility:</b>	100% eligible for all registered plans
<b>Investor Eligibility:</b>	Accredited investors in any dollar amount or corporations or other entities investing \$150,000 or more.
<b>Investment/Redemption:</b>	The Fund is an open-ended mutual fund trust, priced weekly. Purchases and redemptions can be made on any weekly valuation date. There is no mandatory hold period or redemption notice period. However, there is a short-term trading fee that the Manager can apply if it perceives that an investor’s trading activity in the fund is affecting other Unitholders. Details are found in this Offering Memorandum.
<b>Risk Level:</b>	Based on the investment objective and strategy, as well as past experience, the Manager expects the volatility of the Fund, as measured by standard deviation (the risk measurement tool used by the Ontario Securities Commission), to be moderate to high.
<b>Suitability:</b>	The Fund may be suitable for anyone with greater than a three year investment horizon. However a suitability analysis must always take into account the investor’s particular circumstances.

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## **Item 1 Use of Proceeds**

The Fund will invest the net proceeds from the issue of Units in accordance with its investment objectives and strategies set out herein. See Item 2.2, Our Business. The net proceeds of this offering cannot be determined because Units are being offered on a continuous basis and there is no minimum offering. Sales commissions will vary depending on the fee negotiated by you with your dealer. See Item 6, Compensation Paid to Dealers. Because Units are offered on a continuous basis, other offering costs are treated as fees and expenses of the Fund. See Item 4.8, Fees and Expenses.

## **Item 2 Business of The Fund**

### **2.1 Legal Structure**

The Fund is an open-ended mutual fund trust formed under the laws of the Province of Ontario as of February 5, 2016 by a master declaration of trust (such document, as amended and restated December 17, 2007, and as it may be further amended from time to time is called the **Declaration of Trust** in this Offering Memorandum). Crystal Wealth Management System Limited (**Crystal Wealth** or the **Manager**) is the trustee and manager of the Fund.

### **2.2 Our Business**

#### *Investment Objective*

The investment objective of the Absolute Sustainable Dividend Fund (the “**Fund**”) is to generate long term capital appreciation while focusing on preservation of capital by combining sustainable, responsible and values-based investing principles. The Fund primarily invests in a diversified portfolio of Canadian & global dividend-paying public companies.

#### *Investment Strategy*

To achieve the Fund’s investment objective, it is intended that the Fund’s assets will be invested primarily in Canadian and Global equities that have been screened to meet the restrictions outlined below.

The Fund will serve as a vehicle for investors looking to diversify their portfolio through exposure to property (real estate, infrastructure etc.) The relationship between the investors and the Fund is based on a Wakala contract in which the Manager provides investment knowledge and expertise for a disclosed management fee to manage the Fund.

The Manager may, at its discretion, invest in other securities in order to maintain the liquidity of the Fund or to further diversify the investment portfolio of the Fund as long as those securities satisfy all of the restrictions outlined below.

#### *General Investment Guidelines and Criteria*

The composition of the Fund’s investment portfolio will vary over time depending on the Manager’s assessment of the appropriate strategy given overall market conditions and outlook. However, the following general guidelines will be followed for managing the portfolio:

1. The Manager will use fundamental analysis to identify companies with strong balance sheets and cash flows that demonstrate an acceptable return on assets and a strong gross profit margin on increasing sales;

2. the Manager will strive for global geographical diversification taking into account its outlook for world economic growth and stability and will modify the regional weightings based on its assessment of currency fluctuation risk;
3. the Manager will strive to invest in companies that are acting in a socially responsible and sustainable manner as better outlined through the restrictions below;
4. the Manager will aim to invest primarily in companies that have shown a stable or growing dividend payment history and which the Manager expects will continue to pay consistent dividends;
5. the Manager will use IdealRatings proprietary software and research to screen the investable universe of global equities for companies that meet the restrictions outlined below; and
6. if the Manager's assessment indicates too much risk in equity markets, it may reduce the Fund's exposure to equity markets and invest in other securities that meet the restrictions below including cash equivalents that do not pay interest.

#### *Investment Restrictions*

Securities legislation imposes several restrictions on the Fund including the following: (a) the Fund is prohibited from acquiring 20% or more (alone or together with any related mutual fund) of the voting securities of an issuer and (b) the Fund cannot invest in issuers of which the Manager or its associates own a significant interest (>10% voting securities). The Manager has received regulatory relief from the Ontario Securities Commission which permits the Fund to invest in underlying Crystal Wealth funds in excess of these limits.

1. The Manager will also adhere to the following investment restrictions when managing the Fund's portfolio:
  - (a) The Fund may not engage in short-selling and derivatives.
  - (b) The Fund may not make use of leverage (may not borrow money.)
  - (c) No interest based borrowing/lending
  - (d) The Fund may not invest in fixed income preferred shares, interest based bonds, interest-bearing trust units, interest based mortgages/loans, warrants, principal protected notes and debenture stock.
  - (e) The Manager will strictly adhere to the following screening processes:

#### **Business Activities Screening:**

Investment is not allowed in companies generating income from any of the following business activities. The sum of non-permissible income generated from such activities should not exceed 5% of the total income generated by the company.

- Adult Entertainment
- Alcohol

- Cinema
- Financial Services (Insurance, Conventional banking...etc)
- Defense and Weapons
- Gambling
- Games with violent content
- Gold and Silver hedging
- Insurance
- Conventional Mortgage and lease
- Music
- Meat products not slaughtered in Non-Monotheistic Country
- Pork
- Tobacco
- Interest Income generated from both operating and non operating activities.

#### **Financial Screening**

- Total sum of non-permissible income shouldn't exceed 5% of the total income
- Total sum of interest-bearing cash and short-term investments doesn't exceed 30% of the trailing 12 months average market cap of the company
- Total sum of interest-bearing debts shouldn't exceed 30% of the trailing 12 months average market cap of the company
- Total sum of cash and cash equivalents, restricted cash and receivables shouldn't exceed 67% of the trailing 12 months average market cap of the company
- No investment in fixed income preferred shares is allowed
- No investment in interest-bearing trust units is allowed

#### **Other business activities the manager may consider avoiding/screening:**

- Abortion and Contraceptives activities
- Adult and Embryonic stem cells

- Cluster bombs
- Firearms
- Chemical and Biological Weapons
- Depleted Uranium
- Fossil Fuel
- Genetically Modified Organisms (GMO)
- Landmines
- Nuclear Power Generation
- Nuclear Weapons

### **Positive Screening**

The screening methodology include two main aspects; primary which comprises Environmental, Social and Governance (ESG) screening and secondary which the fund may look at regarding the countries of concern and the UN Global Compact Principles.

### **Environmental screening**

Environmental sustainability focuses on finding a balance between consumption of natural resources and the need to protect our environment; to ensure the continuation of business and our health as a society. Producing more with less material is essential for many industries affected by the growing scarcity of natural resources. It also enhances competitiveness in terms of cost reductions. Implementation of environmental strategies has the potential to reduce financial and reputational expenses and significant costs due to higher regulations by the government. IdealRatings questions focus on the existence and relevance of the environmental information regarding many aspects such as water, air, biodiversity, reporting, as well as external quality certificates from internationally acknowledged bodies.

Sample References: Carbon Disclosure Project (CDP), ISO 14000, Equator Principles, ET Global Index, Carbon Tracker, Forest Stewardship Council, Global Reporting Initiative (GRI).

### **Social screening**

In this section IdealRatings concentrates on relations the company has with various stakeholders; employees, the community it operates in and customers. Employees remain one of a company's most important assets and paramount to a healthy bottom line. Maintaining good relations with employees benefits a businesses' operations, especially in industries dependent on human labor, by protecting brand image, increasing the customer base as ethical companies are sought, retaining staff members which leads to lower rates of staff turnover, and reducing the risk of litigation for human rights abuses or strikes within company. Companies should provide a safe and healthy working environment; protect employees' rights such as diversity, respect for the privacy of individuals, freedom of

organization, and the elimination of forced labor among other rights vocalized by international legislation and voluntary bodies.

Sample References: Certificate of fair trade, Certificate of 9000, Voluntary Principles on Security and Human Rights, World Health Organization, Fair Labor Association, European Federation of Public Service Unions, Ethisphere 2015, Global Sullivan Principals, Global Reporting Initiative (GRI), Social African Legal Information Institute

### **Governance screening**

Proper corporate governance principles allow the corporation to succeed due to the existence of a clear level of accountability and communication. These principles include identifying the roles and responsibilities of the key members of the corporation, how much the corporation discloses to the public and the essence of ethics and integrity in handling day-to-day dealings at work.

Sample References: Southern African Legal Information Institute, Ethisphere 2015, Global Sullivan Principals, Global Reporting Initiative (GRI)

### **UN Global Compact**

The UN has established the largest corporate responsibility initiative in the world and the Manager may refrain from investing in companies that violate the core principles of the United Nations Global Compact. The UN Global Compact is a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals. The 10 principles are outlined below:

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure they are not complicit in human rights abuses.

#### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

#### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

2. The Fund may not earn interest on any of its cash or investments, including mortgages. If it does inadvertently earn interest, it must purify this interest through a charitable contribution to a charity of the Manager's choice.

### **Purification**

Interest and other income prohibited by Shariah law that is earned inadvertently through investment in companies will be purified through a donation to a registered Canadian charity of the Manager's choice.

The fund purifies the received dividends based on the compliance status of the stock at the date of dividend distribution. The compliant stocks are only purified for the non-permissible income portion, while non-compliant stocks get their dividends 100% purified.

Amount for purification = interest income + % of cash dividends + other prohibited income

Cash dividends to be purified per company:

Total Prohibited Income of Corporation Total Income of Corporation X Dividend Per Share X Shares in Fund.

The Fund will be purified within 10 business days after every quarter.

### *Investments in Other Funds Managed by Crystal Wealth*

The Manager has obtained certain regulatory relief under which the assets of the Fund may be invested in units of other mutual funds managed by Crystal Wealth (an **Underlying Crystal Wealth Fund**). No sales or redemption fees will be payable by the Fund in relation to its purchases or redemptions of the Underlying Crystal Wealth Fund, and no management fees or incentive fees will be payable by the Fund that, to a reasonable person, would be a duplicate fee payable by the Underlying Crystal Wealth Fund for the same service. Specifically, any management fees charged to the Underlying Crystal Wealth Fund attributable to the assets of the Fund that are invested in the Underlying Crystal Wealth Fund and the HST payable thereon will be rebated back to the Fund at the end of each month in the form of a management fee rebate that will be reinvested in additional units of the Underlying Crystal Wealth Fund on behalf of the Fund.

The proportion of the Fund's assets invested in an Underlying Crystal Wealth Fund will be at the discretion of the Manager and consistent with the investment objectives and restrictions of the Fund. The Fund is permitted to invest up to 100% of its assets in any one or a combination of Underlying Crystal Wealth Funds. The Manager regularly reviews the Fund's holdings of any Underlying Crystal Wealth Funds to ensure that they continue to be appropriate for the Fund's investment objectives.

The Fund will not vote any of the units of the Underlying Crystal Wealth Funds owned by the Fund. The Manager may, in its sole discretion, choose to flow through the voting rights attached to units of the Underlying Crystal Wealth Funds owned by the Fund, to investors in the Fund. A Unitholder is entitled to receive from the Manager, free of charge, a copy of the offering memorandum, if any, relating to any Underlying Crystal Wealth Fund in which the Fund invests.

*Trustee, Manager, Portfolio Advisor and Promoter*

Crystal Wealth is the trustee, manager, portfolio advisor, and promoter of the Fund. The Manager is registered with applicable securities regulatory authorities in the categories of investment fund manager and portfolio manager. The Manager will manage the affairs of the Fund in accordance with the applicable terms and conditions of the Declaration of Trust, which provides for the Manager to exercise its duties and responsibilities diligently and in good faith and with the degree of care, diligence and skill that a reasonably prudent professional investment fund manager would exercise in comparable circumstances. The Manager is also the portfolio adviser of the Fund and will be responsible for execution of the Fund's investment strategy, including the identification and selection of investment opportunities, related due diligence, negotiation, documentation, approval and ongoing management and administration of assets in the portfolio. Allocation of opportunities will be subject to the policies of the Manager. Its head office is 192 Plains Road East, Burlington, Ontario, L7T 2C3.

Please see Item 3 for more details on the principals of the Manager as well as disclosure of any potential conflicts of interest.

*Islamic Finance Advisory Board (IFAB)*

The Manager has appointed IFAB, The Board's missions is to provide professional and authoritative Shariah compliant advisory, education, research and mediation solutions for all stakeholders in the financial services industry in Canada.

The Manager has appointed IFAB to provide the following services to the Fund:

- (a) Providing advice and guidance in the structure and characteristics of financial Products and/or Services requested by the Manager with respect to the Shariah;
- (b) Assist in developing guidelines and standards for compliance with the Shariah that may be used as a reference by the Manager in connection with the management of the Fund;
- (d) Preparing and delivering a statement or certification, including one or more *fatawa*, regarding compliance with the principles and precepts of the Shariah in the management and structuring of the Fund, such certification shall be attached and form part of this Offering Memorandum; and
- (e) Assisting in annual Shariah audit and certification of the Fund, and such other matters pertaining thereto as IFaB shall determine necessary or prudent.

Its Office is located at 3150 Ridgeway Dr, Mississauga, ON L5L 5Y3

*IdealRatings*

IdealRatings provides solutions such as research and screening for Ethical, ESG and Islamic Finance investors.

The manager has appointed Ideal Ratings to provide the following services to the Fund:

- a) To provide research and determine which investments meet Islamic & Sustainable Investing principles.
- b) To screen out investable universe based on restrictions and criteria provided above.

- c) To provide purification calculation on non-permissible income and interest income.

Its office is located at 425 Market Street, Suite 2200 San Francisco, CA 94105

#### AAOIFI

Accounting and Auditing Organization for Islamic Financial Institutions is the golden globally recognized body that develops standards in accordance to Islamic Shariah principles and rules..

Through IdealRatings the manager uses the Rule Book of AAOIFI to ensure the fund adheres to Islamic Principles, which is the AAOIFI Shariah Standard 21 Financial Papers (Shares and Bonds)

#### *Fiscal Year*

The Fund's financial year end is December 31 in each year. The Fund's taxation year end is December 31, or, if the Fund so elects under the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended (collectively referred to herein as the "**Tax Act**"), December 15<sup>th</sup> in each year.

#### *Auditor*

BDO Canada LLP has been appointed by the Manager as the auditor of the Fund. Its office is located at 4-3115 Harvester Road, Burlington, ON, L7N 3N8.

#### *Custodian*

Cash and securities are held by NBCN, a wholly-owned subsidiary of National Bank of Canada. Its office is located at 250 Yonge St., 16<sup>th</sup> Floor, Toronto, ON M5B 2L7.

#### *Registrar*

Unitholder record keeping and administration services are provided by International Financial Data Services (**IFDS**), 30 Adelaide St. E., Suite 1, Toronto, Ontario, M5C 3G9.

#### *Fund Accountant*

Fund accounting services are provided by The Investment Administration Solution Inc. (**IAS**), 400-330 Bay St., Toronto, Ontario, M5H 2S8.

### **2.3 Material Agreements**

#### *Master Declaration of Trust*

The following constitutes a summary of the general provisions of the Declaration of Trust. The Declaration of Trust sets out the powers and duties of the manager and the trustee of the Fund, the attributes of the Units, procedures for the purchase, exchange and redemption of Units, recordkeeping, calculation of the Fund's income and other administrative procedures. It also contains provisions for the selection of a successor trustee if Crystal Wealth should resign. Specific provisions of the Declaration of Trust dealing with series of Units and the rights of Unitholders are discussed under Item 4.1, Units.

The Declaration of Trust provides that the Fund or a series of Units of the Fund may be terminated on reasonable notice to investors and the subsequent distribution of the Fund's or series' net assets to investors.

The Declaration of Trust provides the trustee with a right of indemnification in carrying out its duties under the Declaration of Trust, provided that the trustee does not breach its standard of care.

*Master Management Agreement*

Crystal Wealth has entered into a Master Management Agreement dated as of April 12, 2007 and as amended from time to time by the parties (the **Management Agreement**) to facilitate the administration and portfolio management of the Fund. Under the Management Agreement, the Manager is responsible for providing directly, or for arranging other persons or companies to provide, administration of the Fund, investment portfolio advisory services, distribution services for the promotion and sale of the Fund's Units and other operational services. The Management Agreement contains a schedule of the management fee rates and sets out the operating expense reimbursement arrangements payable to the Manager by the Fund. The Fund pays the Manager an annual management fee of up to 2.0% of average assets under management plus HST.

The Management Agreement will continue in effect unless and until terminated with respect to the Fund on at least 60 days' prior written notice. The Management Agreement may be terminated immediately upon written notice if any party is in breach of its terms and the breach has continued for at least 30 days without being remedied.

Under the Management Agreement, the Manager and its agents are not liable for any loss sustained by reason of the adoption or implementation of any investment policy or the purchase, sale or retention of any portfolio investment on behalf of the Fund. However, this limitation of liability does not protect the Manager against any liability to the Fund or Unitholders by reason of wilful misfeasance, bad faith or negligence in the performance of its duties under the Management Agreement.

*Custodian Agreement*

The Manager entered into a custodian services agreement with NBCN on July 26, 2004, under which NBCN will act as custodian for the cash and short-term investments of the Fund. For its services, NBCN receives a fee agreed to from time to time by NBCN and the Manager. This fee is borne by the Fund.

*Securityholder Services Agreement*

The Manager entered into a securityholder services agreement with IFDS on February 17, 2004 to have IFDS act as registrar, transfer agent, order processing and distribution disbursement agent and to perform certain administrative, trust accounting and other services with respect to the Fund. For its services, IFDS receives a fee agreed to from time to time by IFDS and the Manager. This fee is borne by the Fund.

*Inspecting Copies of Agreements*

Copies of the material contracts referred to above may be inspected during normal business hours at the offices of the Manager or may be obtained from the Manager for a nominal charge to reimburse the Fund for the costs of providing such copies.

### **Item 3 Directors, Management, Promoters and Principal Holders**

#### **3.1 *Principal Holders***

As of the date of this Offering Memorandum, no person directly or indirectly beneficially owns or controls 10% or more of any series of Units of the Fund other than the Manager, which owns 100% of the outstanding Units as of the date of this Offering Memorandum.

#### **3.2 *Experience of the Manager and Portfolio Manager***

The principal of the Manager, who is also the lead portfolio strategist for the Fund, is Clayton Smith, who has a broad background of investment and financing experience. Mr. Smith founded the Manager in 1998 and has been President and Chief Executive Officer since its creation. Prior to that, Mr. Smith was a financial planner for 4 years. Before entering the financial services industry, Mr. Smith served as an officer in the Canadian Armed Forces after attending Royal Military College.

The primary research analyst for the Fund is Sameer Azam. Mr. Azam is responsible for researching potential investments for the Funds, performing all necessary due diligence on potential securities and their issuers and creating research reports and recommendations for Mr. Smith to consider when making investment decisions for the Fund. Mr. Azam holds the Chartered Investment Manager (CIM<sup>®</sup>) designation and is also a Level 3 Candidate in the Chartered Financial Analyst Program. Mr. Azam has more than 10 years of experience in the financial service industry.

As stated, the Manager is engaged in activities as an investment fund manager, portfolio manager, distributor and promoter of Crystal Wealth investment funds and as an exempt market dealer. The Manager and its principals do not devote their time exclusively to the affairs of the Fund and they perform services for other persons and entities including other Crystal Wealth investment funds. The Manager is entitled to receive management and administrative services fees from Crystal Wealth investment funds and other client portfolios. From time to time, investment opportunities and transaction participation may have to be allocated among the investment funds and other client portfolios for which the Manager has responsibility. If this were to occur, the Manager will make the appropriate allocations in accordance with its written policies and in a manner which it considers to achieve a fair and equitable result for all affected client portfolios.

In its capacity as an exempt market dealer, the Manager and its dealing representatives may distribute units of the Fund and of other investment funds and pooled investment vehicles managed or sponsored by the Manager. Dealing representatives of the Manager are permitted to charge or receive an up-front placement fee for such distribution, to be negotiated with the investor, but not to exceed 5% of the total subscription amount. If the dealing representative and the investor agree to a placement fee, such fee is deducted and paid to the dealing representative and only the net amount is invested in the Fund. The Manager receives no separate placement fees but does receive a management fee which is charged to the Fund.

In its capacity as a portfolio manager, the Manager may manage the investment portfolios of clients on a discretionary basis, and in so doing may select the Fund or other Crystal Wealth investment funds for such managed accounts.

As described under “Our Business -- Investments in Other Funds Managed by Crystal Wealth”, the Fund may invest in other Funds of which the Manager is the trustee and manager, although there is no duplication of management fees.

Due to the relationships described above, **the Fund may be considered to be a related or connected issuer of the Manager under applicable securities legislation.**

Additional information as to real and potential conflicts of interest, and the Manager's policies and procedures for addressing them, including the Manager's co-investment, personal trading, portfolio valuation, brokerage (order flow) allocation and soft dollar policies, are available by contacting the Manager.

### **3.3 Penalties, Sanctions and Bankruptcy**

No director or senior officer or control person of Crystal Wealth or person holding a sufficient number of Units of the Fund to affect materially the control of the Fund has, in the last 10 years, been declared bankrupt or been subject to any penalties or sanctions imposed by a court or regulatory authority or been a director, senior officer or control person of any issuer that has been subject to any penalties or sanctions imposed by a court or by a regulatory authority while the director, officer or control person was a director, officer or control person of such issuer.

## **Item 4 Securities Offered**

### **4.1 Terms of Securities**

The securities being offered under this Offering Memorandum are Series A units of the Fund.

#### *Units*

An investment in the Fund is represented by Units. The Fund is permitted to have an unlimited number of series of Units and is authorized to issue an unlimited number of Units of each series. All series of Units of the Fund will be invested in the same portfolio of assets. To date, the Fund has created only one series of Units.

At a meeting of Unitholders, each Unitholder will have one vote for each dollar value of all Units owned by such Unitholder as determined based on the series net asset value per Unit at the close of business on the record date for voting for such meeting, with no voting rights being attributed to portions of a dollar of such value. Unitholders have limited voting rights.

Unitholders are also entitled to participate pro rata based on the Units held by them in distributions made out of the Fund (other than Management Fee Distributions, as described herein) and, on liquidation of its net assets (on a series by series basis). No certificates are issued by the Fund to represent the outstanding Units. Each Unit is transferable only in accordance with Declaration of Trust and subject to securities legislation, is not subject to future calls or assessments, and entitles the holder to rights of redemption.

#### *Offering Price*

The price of the Units of the Fund is an amount equal to the net asset value per Unit (**NAVPU**) determined from time to time. Currently, the NAVPU will be determined weekly, on the last business day of each week (each, a **Valuation Date**).

The NAVPU will also be determined on the last business day of each month and on any other day as the Manager in its discretion determines, but these dates will not be considered Valuation Dates for the purposes of Unitholder transactions.

#### **4.2 Computation of Net Asset Values**

The net asset value of the Fund (the **NAV**) and the net asset value per unit (**NAVPU**) will be calculated by the Manager or its agent in Canadian dollars on each Valuation Date by taking the value of all assets less the liabilities of the Fund.

In calculating the NAV of the Fund at any time:

- (a) the value of cash, receivables, prepaid expenses, dividends and other income declared but not yet received, will be deemed to be the face value thereof unless the Manager or its agent considers otherwise;
- (b) the value of any other securities for which there is a published market will be the closing market price for such securities (or if there is no closing price the average of the closing bid and ask prices) on the Valuation Date; provided that if in the opinion of the Manager or its agent, such price does not properly reflect the price which would be received by the Fund upon disposal of the securities, the Manager or its agent may place such value upon such securities as appears to the Manager or its agent to most closely reflect the fair value of such securities;
- (c) the value of any other property for which a current third party valuation is available will be the value as determined by the third party valuator;
- (d) the value of all other property will be the value that the Manager or its agent determines in its reasonable discretion most accurately reflects its fair value;
- (e) the value of any asset measured in a foreign currency will be calculated by converting the value in the foreign currency into Canadian dollars using the rate of exchange current on the Valuation Date as determined by the Manager or its agent;
- (f) each transaction of purchase or sale of portfolio securities effected by the Fund will be reflected in the computation of the NAV not later than the first computation of such NAV made after the date on which such transaction becomes binding;
- (g) the issue or redemption of Units of the Fund will be reflected in the computation of the NAV no later than the next computation of such NAV made after the time as at which a NAVPU is determined for the purpose of the issue or redemption of the Units of the Fund; and
- (h) liabilities include only those expenses paid or payable by the Fund, including accrued contingent liabilities and management fees where they are known as well as any amount of purification that is payable.

The NAVPU will be the NAV of the portfolio assets of the Fund attributable to the series divided by the number of Units of the series outstanding on the relevant Valuation Date.

A NAV will not be calculated if redemptions have been suspended by the Manager.

The value given to any pooled fund investments held by the Fund on a Valuation Date, including an Underlying Crystal Wealth Fund, is derived from the most recent net asset value information available to Crystal Wealth on that Valuation Date. Often, the only valuation information available is an estimate of

the net asset value of the applicable pooled fund as of the Valuation Date, which in turn is based on estimated values of the pooled fund's underlying investments. These underlying investments may be difficult to value, as they may be illiquid and may trade infrequently or not at all. In some cases, subsequent information provided by the pooled fund may show an actual value that is different from the estimated value previously provided. No adjustment will be made to the number of Units purchased or redeemed by an investor in the Fund because of the use of estimated values in determining the net asset value of the Fund and the net asset value of each series of Units of the Fund.

#### **4.3 Redemption of Units**

A Unitholder may, upon request to the Manager in a manner and form acceptable to the Manager, redeem a portion or all of its Units at a redemption price equal to the NAVPU on the Valuation Date next following the date on which the request for redemption is received by the Manager, less any accrued and applicable fees and taxes. If the request is received by the Manager prior to 4:00 p.m. ET, on a Valuation Date, the redemption will be processed on that Valuation Date. Proceeds of redemption will be paid within three Business Days from such date either by cheque or electronic payment as the Unitholder requests. No interest will be paid to the Unitholder on account of any delay in forwarding the proceeds of redemption to the Unitholder. If Units were purchased by cheque and then redeemed within seven business days of the purchase, the Fund may hold the redemption proceeds until the purchase cheque has cleared, which may take up to 10 business days for cheques drawn on a Canadian chartered bank and up to 45 business days for all other cheques.

The Manager has the right to cause redemptions of Units to be suspended for the whole or any part of a period during which normal trading is suspended on any exchange or market on which securities representing more than 50% by value or underlying market exposure of the total assets of the Fund are traded. Any redemptions that would otherwise have taken place during the period of suspension will be effected at the close of business on the Valuation Date immediately following the termination of suspension unless, prior to that date, a Unitholder has withdrawn his or her redemption order.

The Manager has the right to cause redemptions of Units to be suspended if it receives redemption requests for Units representing more than the sum of amounts immediately available under the Fund's cash on hand, treasury bills, bankers acceptances and other money market instruments (**Cash Equivalents**) that the Fund owns on any given Valuation Date. The purpose of this right is to safeguard against illiquidity in the Fund, and is in place to protect Unitholders who are not redeeming Units from the Fund. Without this right, the Manager could be forced to liquidate a portion of the Fund's mortgage portfolio at what could potentially be a reduced value. This right gives the Manager the ability to wait for new subscription proceeds to fund the redemptions; wait for a portion of the mortgage portfolio to mature; or effect an orderly sale of a portion of the mortgage portfolio. It is the Manager's intention to attempt to maintain a laddered structure to the Fund's portfolio with a portion of the mortgage portfolio maturing each month. Any redemptions that would otherwise have taken place during the period of suspension will be effected at the close of business on the Valuation Date immediately following the termination of suspension unless, prior to that date, a Unitholder has withdrawn his or her redemption request.

The Manager may, at any time and from time to time, by giving ten business days prior written notice to Unitholders, redeem all or any portion of the outstanding Units of a series on the next Valuation Date for a redemption price per Unit equal to the NAVPU for Units of that series calculated for such day. Among other reasons, the Manager could exercise this right if a particular series has so few Units outstanding that the Manager in its discretion deems it uneconomic to continue to offer the series. Alternatively, the Manager could exercise this right of redemption for tax purposes.

The Manager is also entitled to require the redemption of all or any part of the Units held by a Unitholder at any time in its discretion.

The Manager is entitled to require the redemption of all of the Units held by a Unitholder at any time that the Unitholder's account falls below \$5,000 in market value. Prior to exercising this right of redemption, the Manager will provide the Unitholder with 10 business days' prior notice to allow such Unitholder an opportunity to increase the value of its account to \$5,000 by purchasing more Units of the Fund.

#### **4.4**     *Systematic Withdrawal Plans*

Unitholders may make regular redemptions through a Systematic Withdrawal Plan (SWP). Once a SWP is authorized, the Manager will make automatic redemptions from the Unitholder's account according to the schedule chosen by the Unitholder. SWPs are available monthly or quarterly on any Friday of the month or quarter. If the selected Friday is not a business day, the SWP will be run on the Valuation Date immediately preceding it. In addition, all of the conditions, features, fees and charges discussed elsewhere in this Offering Memorandum apply to Units redeemed under the SWP program.

#### **4.5**     *Distributions*

The Fund intends to distribute to Unitholders in each taxation year such portion of its net income, including net realized capital gains, as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each taxation year. Distributions will be made annually on a date between December 15 and December 31 to be determined by the Manager. The Manager may, at its discretion, decide to distribute to Unitholders a portion of its net income, including net realized capital gains, at other times during the year as well.

The Fund shall deduct or withhold from any distribution to a Unitholder who is, or is deemed to be, a non-resident of Canada for purposes of the Tax Act, or is a partnership that is not a "Canadian partnership" within the meaning of the Tax Act, any taxes or other amounts required to be deducted or withheld therefrom by the Fund under the Tax Act or any other applicable tax legislation. The Fund shall remit such deducted or withheld taxes or other amounts to the appropriate tax authority on behalf of the Unitholder. Any such taxes or other amounts remitted by the Fund shall be considered to have been paid by the Fund to the Unitholder in satisfaction of any distribution to the Unitholder by the Fund.

**All distributions made by the Fund to each series of Units will be automatically reinvested in additional Units of the same series at the NAVPU thereof unless a Unitholder elects to receive his or her distribution in cash.**

#### **4.6**     *Short Term Trading Fee*

In order to protect the interests of the majority of Unitholders of the Fund and to discourage short term trading in the Fund, Unitholders may be subject to a short-term trading fee. If a Unitholder redeems Units within 180 days of such Units having been acquired, the Fund may deduct and retain for the benefit of the remaining Unitholders 5% of the value of the Units redeemed.

#### **4.7**     *Restriction on Non-Resident Unitholders*

In order to ensure that the Fund qualifies as a "mutual fund trust" within the meaning of the Tax Act at all times, the Manager has the right, in accordance with the Declaration of Trust governing the Fund, not to accept a subscription for Units from, or issue or register a transfer of Units to, a Unitholder who is, or is deemed to be, a non-resident of Canada for purposes of the Tax Act, or is a partnership that is not a

“Canadian partnership” within the meaning of the Tax Act. In addition, under certain circumstances, the Manager may require that such a Unitholder redeem its Units.

#### **4.8 Fees and Expenses**

*Management Fee:* The Manager is entitled to charge the Fund a management fee at a maximum annual rate of 2.0%. The base Trailer Fee (as described in Item 6) is paid by the Manager from out of this management fee. The management fee accrues daily and is payable monthly in arrears.

*Trustee Fees:* Crystal Wealth acts as trustee for the Fund and has chosen not to accept any compensation from the Fund for this service.

*Management Fee Distributions:* The Manager may, in its sole and absolute discretion, rebate part of its management fee to select Unitholders, effectively reducing the management fee that those Unitholders are paying. The amount of the reduction is distributed by the Fund (the **Management Fee Distribution**) to the investor for whose benefit the fees were reduced. Where applicable, Management Fee Distributions will be calculated on each business day and distributed on a regular basis by the Fund to the applicable investor, generally, first out of the net income of the Fund, including net realized capital gains of the Fund, and then as a return of capital. All Management Fee Distributions will be reinvested in additional Units of the same series of Units of the Fund unless otherwise requested. The amount of the Management Fee Distribution will generally be treated for purposes of the Tax Act as income, capital gains or return of capital to the Unitholder receiving it.

*Operating Expenses:* The ongoing expenses of the Fund will be borne by the Fund, including without limitation the fees and expenses of legal counsel and the Fund’s auditors, communications to Unitholders, custodial arrangements, fund accounting fees, registrar and transfer agency fees, administration and recordkeeping, interest, brokerage fees, regulatory fees and taxes of all kinds to which the Fund is or might be subject to. The Manager or the service providers referred to under “Mortgage Servicing Agreements” may from time to time incur certain expenses with respect to the mortgages held by the Fund. Such expenses may include condominium fees, insurance premiums or municipal taxes paid on behalf of a mortgagor, as well as fees payable to realtors, property managers, consultants and lawyers in the event that enforcement is necessary and a mortgaged property is listed and sold. Such expenses are added to the amounts payable to the Fund by the borrower, or deducted from the proceeds of sale, as applicable. If the expenses so incurred by the Manager or service provider on behalf of the Fund are not paid by the borrower or the proceeds of sale are not sufficient to reimburse the Manager or the service provider, then such expenses are recoverable from the Fund. The Fund is required to pay harmonized sales tax (**HST**) on the management fee and most of the other fees and expenses which it pays.

#### **4.9 Subscription Procedure**

##### *Continuous Offering*

Units of the Fund are offered on a continuous basis under this Offering Memorandum. This offering is being conducted pursuant to the prospectus exemption available under Section 2.3 (accredited investor) (the **Accredited Investor Exemption**) and Section 2.10 (minimum amount - \$150,000) (the **\$150,000 Exemption**) of National Instrument 45-106 *Prospectus Exemptions (NI 45-106)*.

The Manager may from time to time establish minimum initial investment amounts and minimum additional investment amounts. The Manager may in its discretion waive such minimum requirements on a temporary basis or on a case-by-case basis.

The Manager reserves the right to accept or reject subscriptions, to change the minimum amounts for investments in the Fund and to discontinue the offering of Units of the Fund at any time and from time to time. Any monies received with rejected subscriptions will be refunded within two business days, without interest or deduction.

Subscriptions may be placed by investors either directly with the Manager or through registered dealers or entities that are exempt from dealer registration. Prospective investors who wish to subscribe for Units must complete, execute and deliver the Subscription Agreement that accompanies this Offering Memorandum to the Manager or their dealer (as appropriate) and tender the subscription amount in a manner acceptable to the Manager. Units will be issued at the NAVPU on the Valuation Date next following receipt by the Manager of a subscription request (unless received on a Valuation Date prior to 4:00 p.m. E.T., in which case the Units will be issued on such Valuation Date). All subscriptions for Units of the Fund must be forwarded by dealers, without charge, the same day that they are received, to the Manager on behalf of the Fund.

A subscriber has the right to cancel the subscription by sending written notice of cancellation before midnight of the second business day after the subscriber signs the Subscription Agreement. Any subscription proceeds received will be held in trust for that period, and will be promptly returned to the subscriber without interest or deduction if the subscriber exercises his or her cancellation rights.

#### *Additional Investments*

Additional investments in the Fund are generally permitted in any amount, subject to any minimum holding prescribed from time to time by the Manager. Each additional investment can only be made pursuant to a prospectus exemption which is available at the time of the additional investment. For example, investors purchasing in reliance on the Accredited Investor exemption will be requested to represent that they continue to qualify as Accredited Investors at the time of each additional investment. Non-accredited investors are able to make additional investments of any amount (subject to minimums prescribed by the Manager) provided that the investor is holding Units of the Fund with an acquisition cost or net asset value of \$150,000 or more.

At the time of making each additional investment in the Fund, each investor will be deemed to have repeated to the Fund the covenants and representations contained in the Subscription Agreement, delivered by the investor to the Fund at the time of the initial purchase.

The Manager reserves the right to change the minimum amount for additional investments in the Fund at any time and from time to time.

Following each purchase of Units, investors will receive written confirmation indicating details of the purchase transaction, including the dollar amount of the purchase order, the net asset value per unit and the number of Units purchased. For additional investments, the written confirmation will indicate the cumulative total of all Units held by the investor.

#### *Pre-authorized Chequing Plan*

Provided a Unitholder continues to have the status of an “accredited investor” or otherwise meets the prescribed investment qualifications, Unitholders may make regular purchases through a Pre-authorized Chequing Plan (PAC). Where the Unitholder in an individual investor relying on the Accredited Investor exemption, further arrangements, including the continued or ongoing provision of the prescribed risk acknowledgement form, may be required in order to comply with such exemption. Once a PAC is authorized, the Manager will make automatic withdrawals from the Unitholder’s bank account according

to the schedule chosen by the Unitholder and invest this sum in Units of the Fund. PAC withdrawals can be made monthly or quarterly, on any Friday in the month or quarter. If the chosen Friday is not a business day, the PAC will run on the next Valuation Date thereafter. In addition, all of the conditions, features, fees and charges discussed elsewhere in this Offering Memorandum apply to Units purchased under the PAC program.

## **Item 5 Certain Canadian Federal Income Tax Considerations**

### **5.1 Disclaimer**

An investment in Units of the Fund may give rise to tax consequences for Unitholders under the Tax Act and any applicable provincial, territorial, local or foreign tax laws. Prospective Unitholders are urged to consult with their own tax advisors with respect to the tax consequences of investing in Units of the Fund under the Tax Act and any applicable provincial, territorial, local or foreign tax laws based on their own particular circumstances.

### **5.2 Summary of Certain Canadian Federal Income Tax Considerations**

The following is, as of the date of this Offering Memorandum, a general summary of certain Canadian federal income tax considerations generally applicable under the Tax Act to the Fund and Unitholders who at all relevant times, for purposes of the Tax Act, (i) are the beneficial owners of the Units, (ii) are individuals (other than trusts) resident in Canada, (iii) hold their Units as capital property, and (iv) deal at arm's length and are not affiliated with the Fund and its affiliates. Generally, Units will be considered to be capital property to the Unitholder thereof for purposes of the Tax Act provided that they are not held in the course of carrying on a business and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units, and any other "Canadian security" (as defined in the Tax Act) owned by such Unitholders in the taxation year in which the election is made, and in all subsequent taxation years, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Unitholders should consult their own tax advisors regarding the potential application and consequences of this election in their particular circumstances.

This summary is not applicable to a Unitholder that has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Units. Such Unitholders should consult their own tax advisors.

This summary is based on provisions of the Tax Act in force on the date of this Offering Memorandum and the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date of this Offering Memorandum. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Offering Memorandum (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in their current form. There can be no assurance that any Tax Proposals will be enacted in their current form or at all. Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes in law whether by legislative, governmental, or judicial decision or action, or changes in the administrative policies and assessing practices of the CRA. In addition, this summary does not take into account any other federal or any provincial, territorial, local or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is based on the assumption that the Fund is and will continue to qualify at all times as a mutual fund trust for purposes of the Tax Act. This summary is also based on the assumption that the Fund has not been established or will not be maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act. If the Fund were not to qualify as a mutual fund trust under the Tax Act, then the Canadian federal income tax considerations would be materially different from those described herein.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding, or disposing of Units will vary depending on the Unitholder's particular circumstances, including the provinces in which the Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser of Units. Prospective Unitholders should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Units, based on their particular circumstances.**

#### *Status of the Fund*

To qualify as a mutual fund trust for purposes of the Tax Act (i) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its fund in property (other than real property or an interest in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in an immovable) that is capital property of the Fund or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units. The Fund must also not be established or maintained primarily for the benefit of non-residents of Canada in order to qualify as a mutual fund trust for purposes of the Tax Act. The Manager intends to ensure that the Fund will continue to qualify as a mutual fund trust at all times for purposes of the Tax Act.

#### *Taxation of the Fund*

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the particular year, including partnership lien fees on mortgages receivable included in its mortgage portfolio that accrues to it or deemed to accrue to it to the end of each taxation year, except to the extent that such interest was included in computing its income for a preceding taxation year and excluding any interest that accrued prior to the time of acquisition of such loans and including net realized taxable capital gains, less the portion thereof that it claims in respect of amounts paid or payable to Unitholders in the year. It is the Fund's intention to make distributions payable to Unitholders in such amounts in each taxation year and to deduct such amounts in computing its income in each taxation year as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each taxation year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such taxation year by reason of the capital gains refund mechanism under the Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, in accordance with the detailed rules under the Tax Act. The Fund may generally deduct the costs and expenses paid by the Fund in respect of the offering of its Units and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with detailed rules and limitations in the Tax Act.

In determining the income of the Fund, gains or losses realized upon the disposition or deemed disposition of a loan receivable in its mortgage portfolio will constitute capital gains or losses of the Fund in the taxation year in which realized unless the Fund is considered to be trading or dealing in such loans or otherwise carrying on an investment business of buying and selling loans or the Fund has acquired such loans in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund intends to purchase and will purchase mortgages to be included in its mortgage portfolio with the objective of earning partnership lien fees over the life of the Fund and will take the position that gains and losses realized on the disposition or deemed disposition thereof are capital gains and capital losses. Upon the disposition or deemed disposition of a mortgage, the Fund will be required to include in computing its income for the year of disposition or deemed disposition all partnership lien fees that accrued on such loan from the last fee payment date to the date of disposition except to the extent such fees were included in computing the Fund's income for that or another taxation year and such fees will not be included in the proceeds of disposition for purposes of computing any capital gain or loss.

Upon the actual or deemed disposition of a mortgage receivable included in the Fund's mortgage portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition exceed (or are less than) the adjusted cost base of such loans immediately before such disposition and any reasonable costs of disposition. One-half of the amount of any capital gain (a "**taxable capital gain**") realized by the Fund in a taxation year on the disposition or deemed disposition of a loan of the Fund must be included in computing the Fund's income for the year, and one-half of the amount of any capital loss (an "**allowable capital loss**") realized by the Fund in a taxation year must be deducted against capital gains realized by the Fund in that taxation year. Allowable capital losses for a taxation year in excess of taxable capital gains in that year may be carried back and deducted by the Fund in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net realized taxable capital gains of the Fund in accordance with the provisions of the Tax Act.

The Fund will be entitled, for each taxation year throughout which it is a mutual fund trust, to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of its Units during the year ("**capital gains refund**"). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of a loan receivable in connection with a redemption of Units.

#### *Taxation of Unitholders*

Unitholders will generally be required to include, in computing their income for a taxation year, the amount of the Fund's net income for the taxation year of the Fund ending in, or coincidentally with, the Unitholders' taxation year, including net realizable taxable capital gains, paid or payable to them (including by way of a Management Fee Distribution), whether or not reinvested in additional Units of the Fund or paid in cash or additional Units.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year in order to enable the Fund to utilize, in the taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. Such amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base (within the meaning of the Tax Act) of the Unitholder's Units will be reduced by such amount (other than the non-taxable portion of the Fund's net realized capital gains as discussed below). Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund that is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. The non-taxable portion of the Fund's net realized capital gains, the taxable portion of which

was designated in respect of a Unitholder in the year, that is paid or payable (whether in cash or additional Units) to the Unitholder in the taxation year will not be included in the Unitholder's income for the year. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. Any distributions by the Fund to a Unitholder by way of a return of capital will not be included in computing the Unitholder's income but will reduce the Unitholder's adjusted cost base of its Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

At the time a purchaser acquires Units of the Fund, the net asset value of the Units may reflect accrued income and capital gains and realized income and capital gains which have not been distributed. When and if such income and capital gains are distributed by the Fund to Unitholders, the income and the taxable portion of the capital gains will have to be included in the purchaser's income.

Any upfront sales charges paid by Unitholders on the acquisition of Units of the Fund are not deductible by Unitholders but can generally be added to the adjusted cost base of the Units purchased. In determining the adjusted cost base of Units for purposes of the Tax Act, the cost of newly-acquired Units must be averaged with the adjusted cost base of all other Units of the Fund held by the Unitholder as capital property at such time. The cost of Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. Any additional Units acquired by a Unitholder on the reinvestment of distributions will generally have a cost equal to the amount reinvested.

Upon the actual or deemed disposition of a Unit, including the redemption of a Unit by the Fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Unit exceed (or are less than) the adjusted cost base of the Unit to the Unitholder immediately before such disposition and any reasonable costs of disposition. Under the Tax Act, one-half of any capital gain ("**taxable capital gain**") realized is generally included in a Unitholder's income and one-half of any capital loss ("**allowable capital loss**") realized must be deducted from taxable capital gains in accordance with the provisions of the Tax Act. Allowable capital losses realized in a particular taxation year in excess of taxable capital gains realized in that year 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 taxable capital gains in accordance with the rules in the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains as well as taxable capital gains realized by a Unitholder on a disposition or deemed disposition of its Units may increase the Unitholder's liability for alternative minimum tax.

Unitholders will be advised each year of the amount of net income, net realized capital gains and returns of capital paid or payable to them.

### **5.3 Eligibility for Investment**

Provided that the Fund continues to qualify as a mutual fund trust at all times for purposes of the Tax Act, Units of the Fund should be qualified investments for a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a deferred profit sharing plan, a registered education savings plan ("**RESP**"), a registered disability savings plan ("**RDSP**") and a tax-free savings account ("**TFSA**").

Notwithstanding the foregoing, the annuitant of a RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax if Units of the Fund are held in a RRSP, RRIF or TFSA, as the case may be, and are a "prohibited investment" for such RRSP, RRIF or TFSA under the Tax Act. Units of the Fund will not be a prohibited investment for a RRSP, RRIF or TFSA provided the annuitant or holder, as the case may be,

deal's at arm's length with the Fund for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Fund. In addition, Units of the Fund will generally not be a prohibited investment if such Units are "excluded property" as defined in the Tax Act. Unitholders should consult their own tax advisors as to whether Units of the Fund will be a prohibited investment in their particular circumstances.

## **Item 6 Compensation Paid to Dealers**

### **6.1 Sales Charge**

Registered dealers (each, a **Dealer**), whose dealing representatives sell Units of the Fund may, with the agreement of the investor, charge an up-front fee to investors of up to 5% of the total subscription amount. As described under Item 3.3 Interests of Management and Conflicts of Interest, although a placement fee may be charged by a dealing representative of the Manager, the Manager itself does not charge or receive a separate placement fee.

### **6.2 Trailer Fees**

The Manager will pay a monthly fee (the **Trailer Fee**) to Dealers to compensate the Dealers for ongoing services to their clients in respect of an investment in the Fund. The Trailer Fee is calculated based upon a percentage of the average daily value of the Units of the Fund held by the clients of the Dealers. The Trailer Fee will be paid at a rate of up to 1.0% per annum.

## **Item 7 Risk Factors**

An investment in the Fund involves certain risks. Investors should consider the following risk factors before investing.

### **7.1 Issuer Risks**

*General.* Although the Fund intends to invest in a diversified portfolio of investments designed to mitigate short-term risk, investing in the Fund entails certain risks and is only suitable for investors who understand and are capable of bearing the risks of an investment in the Fund. All investments in securities, mortgages and other financial instruments risk the loss of invested capital. There is no assurance that the Fund will achieve its overall investment objective. Prospective investors should carefully consider the following risk factors, which do not purport to be a complete list of the potential risks and conflicts of interest involved in an investment in the Fund. The NAVPU will vary directly with the market value and return of the investment portfolio of the Fund.

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

*Reliance on Crystal Wealth.* The Fund will be dependent on the knowledge and expertise of Crystal Wealth for investment advisory and portfolio management services. There is no certainty that the persons who are currently officers and directors of Crystal Wealth will continue to be officers and directors of Crystal Wealth.

*Potential Conflicts of Interest.* The Manager may also act in the same or similar capacities in respect of other entities. In that event, it may have responsibility for the management of the assets of other entities at the same time as it is managing the Fund's portfolio and may use the same or different information and trading strategies obtained, produced or utilized in managing the portfolio of the Fund. See Item 3, Directors, Management, Promoters and Principal Holders – Interests of Management and Conflicts of Interest.

*No involvement by Unaffiliated Selling Agent or Other Professional Representing Unitholders.* No securities dealer or selling agent unaffiliated with the Manager was involved with or has made any review or investigation of the terms of the this offering, the structure of the Fund or the background or history of the Manager and its principal. No legal counsel, investment dealer, accounting firm or other professional advisor acting on behalf of Unitholders has reviewed the terms of this offering. Consequently, prospective investors are advised to consult their own legal, tax or financial advisors in connection with the purchase of Units.

*Unitholder Liability.* Because of uncertainties in the law relating to trusts such as the Fund, there is a risk that a Unitholder could be held personally liable for obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the Fund's operations will be conducted in such a way as to minimize any such risk. In particular, the Manager will follow the investment strategy and process of the Fund and will use its best efforts to avoid such liability being placed upon the Unitholders.

Based upon these measures being adhered to by the Fund, it is considered by the Manager that the risk of Unitholder liability is remote in the circumstances. In any event, the risk of personal liability of Unitholders is minimal in view of the large anticipated equity of the Fund relative to its anticipated indebtedness and liabilities, the Fund's investment approach and the intention that any agreement which is related to the borrowing of money by the Fund or the creation of potential liabilities of the Fund include an express disavowal of liability of Unitholders. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund. In order to better protect Unitholders from liability, the Fund may elect, without the consent of its Unitholders, to become subject to any new trust legislation that would limit the liability of Unitholders.

## **7.2 Industry Risks**

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

*Redemption Risk:* Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units that remain outstanding. In accordance with section 4.1, Terms of Securities, the Manager has the right to suspend redemptions in several circumstances as described therein. If the Manager were to exercise this right, Unitholders would not be able to redeem their Units until the suspension is lifted.

*Legal, Tax and Regulatory Risks.* Legal, tax and regulatory changes or events may occur that could adversely affect the Fund or the Unitholders. In particular, if the Fund experiences a "trust loss restriction event" the Fund (i) will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the Fund's net income and net realized capital gains, if any, at such time to Unitholders so that the Fund would not be liable for income tax on such amounts under Part I of the Tax

Act), and (ii) will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses, inability to carry-forward capital losses, and restrictions on its ability to carry forward non-capital losses. Generally, the Fund would be subject to a loss restriction event if a person becomes a "majority-interest beneficiary", or a group of persons becomes a "majority-interest group of beneficiaries", of the Fund, as those terms are defined in the Tax Act. Generally, a person would be a majority-interest beneficiary of the Fund if it, together with persons and partnerships with whom it is affiliated for purposes of the Tax Act, owns more than 50% of the units of the Fund. The loss restriction event rules include relieving measures for trusts that meet certain conditions.

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

### **7.3 Investment Risks**

*Performance and Marketability of Underlying Securities.* The NAVPU will vary in accordance with the value and the currency of the securities and other investments (including mortgages) held in the Fund's portfolio. There is no market in which some of the securities acquired by the Fund can be sold and, accordingly, there is no assurance that the securities acquired by the Fund can be sold for the values used to calculate the NAVPU.

*Environmental and Other Regulatory Matters.* Environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Fund could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

*Net Asset Value and Estimated Values.* A portion of the calculation of the net asset value of the Fund could be based on estimated values provided by underlying funds. These estimated values are, in turn, based on values attributed to the underlying investments held in such funds, which investments may be illiquid and may trade infrequently or not at all. No adjustments will be made to the number of Units purchased or redeemed by an investor in a Fund because of the use of estimated values in determining the net asset value of a Fund, even if the estimated values that are used in calculating such net asset value are subsequently determined to differ significantly from the final values eventually obtained in respect of the underlying funds.

## **Item 8 Reporting to Unitholders**

If a Unitholder has purchased Units through a Dealer, the Dealer is obliged to provide the Unitholder with account statements regarding their investment in the Fund. Unitholders who have purchased the Fund directly from the Manager will receive an annual and semi-annual account statement showing the Units held by them and any transactions for the preceding period. Investors who purchase Units directly from the Manager will also receive confirmation of their trade from the Manager.

In addition, Unitholders will receive the applicable tax form(s) identifying the Unitholder's distributions (including income, taxable capital gains and returns of capital).

The fiscal year end of the Fund is December 31. Unitholders have the right to elect to receive audited annual financial statements and unaudited semi-annual financial statements. An election request will be sent out annually and the Unitholder's choice will remain in effect for the following year.

## **Item 9 Other Disclosures**

### **9.1 Forward Looking Information**

The foregoing disclosure of investment objectives and strategies may constitute "forward-looking information" for the purpose of Ontario securities legislation, as it contains statements of the intended course of conduct and future operations of the Fund. These statements are based on assumptions made by the Manager of the success of its investment strategies in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are urged to Item 7, "Risk Factors" for a discussion of other factors that will impact the operations and success of the Fund.

### **9.2 Anti Money-Laundering Legislation**

The Manager is required to comply with all applicable laws, regulations and administrative pronouncements concerning money laundering and other criminal activities (**Anti-Money Laundering Laws**), which includes implementing specific measures to detect and deter money laundering and financing of terrorist activity. Unitholders may be required to provide additional information regarding the Unitholder or their beneficial owner(s) or other information that the Manager deems necessary or advisable to ensure compliance with all Anti-Money Laundering Laws. Additional information is in the subscription agreement.

If the Manager is aware or suspects that a Unitholder is engaged in money laundering or if otherwise required by Anti-Money Laundering Laws, the Manager may undertake appropriate actions to ensure that the Fund or the Manager are in compliance with all such Anti-Money Laundering Laws. The Fund or the Manager may release confidential information about a Unitholder and, if applicable, any underlying beneficial owner(s), to governmental authorities. This reporting will not be a breach of privacy laws as it is required by law.

### **9.3 Collection of Personal Information**

By subscribing for Units in the Funds, the Unitholder acknowledges that its name, residential address and telephone number and other specified information, including the number of Units it has purchased and the aggregate purchase price paid by the Unitholder, may be disclosed to Canadian securities regulatory authorities and other authorities governing the operations of the Fund and the Manager, and may therefore become available to the public in accordance with requirements of applicable Canadian laws. By subscribing for Units in the Funds, the Unitholder shall authorize such indirect collection of personal information.

### **9.4 FATCA**

Under U.S. withholding tax and reporting requirements, commonly referred to as the Foreign Account Tax Compliance Act ("FATCA"), non-U.S. financial entities are required to collect information from their clients and directly or indirectly provide that information to the U.S. Internal Revenue Service (the

“IRS”) in order to avoid a 30% U.S. withholding tax on payments of U.S. source income and gross proceeds. Canada enacted Part XVIII (“**Part XVIII**”) of the Tax Act and signed an Intergovernmental Agreement with the U.S. for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention to achieve the U.S. objectives of FATCA in a manner that is consistent with Canada’s privacy and other laws. Unitholders will generally be required to provide to their financial advisor or dealer information related to their citizenship or residence for tax purposes and, if applicable, their U.S. federal tax identification number. If Unitholders do not provide that information or are identified as a U.S. citizen (including a U.S. citizen living in Canada) or a U.S. resident, details of the Unitholder’s investment in the Fund will generally be reported to the CRA unless Units are held in a registered plan.

The CRA has agreed to provide the information to the IRS. If a Unitholder does not provide the information required to comply with obligations under Part XVIII, the Unitholder’s Units may be redeemed. Unitholders should consult with their own tax advisors regarding the possible implications of FATCA for them and their investments.

### **9.5 Restrictions on Transfer and Resale**

Because the Units are offered on a private placement basis in reliance on prospectus exemptions, they are generally not transferable, are subject to regulatory resale restrictions and may only be transferred from one holder to another with the written consent of the Manager. Applicable securities laws provide that securities purchased under a prospectus exemption may not be resold except on expiry of statutory hold periods or otherwise in compliance with such laws. However, Units are redeemable at net asset value, as described under Item 4.3 Redemption of Units.

### **9.6 Language of Documents**

By receiving this document, you hereby confirm that you have expressly requested that all documents evidencing or relating in any way to the sale of securities described herein (including for greater certainty any purchase confirmation or notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.

## **Item 10 Purchasers’ Rights**

### **10.1 Understanding your Rights**

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

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

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Manager by midnight on the 2<sup>nd</sup> business day after you sign the agreement to buy the securities.

### **10.3 Statutory and Contractual Rights of Action in the Event of a Misrepresentation**

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

If there is a misrepresentation in this Offering Memorandum, subscribers resident in British Columbia will have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) the Fund, the Trustee at the date of the Offering Memorandum or any amendment thereto and every person who signs the Offering Memorandum or any amendment thereto for damages.

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

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

All subscribers in British Columbia shall have these rights, regardless of whether the subscriber relies on the Accredited Investor Exemption or the \$150,000 Exemption.

#### ***Subscribers in Alberta***

If there is a misrepresentation in this Offering Memorandum, subscribers resident in Alberta will have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) the Fund, the Trustee at the date of the Offering Memorandum or any amendment thereto and every person who signs the Offering Memorandum or any amendment thereto for damages.

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

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

All subscribers in Alberta shall have these rights, regardless of whether the subscriber relies on the Accredited Investor Exemption or the \$150,000 Exemption.

### ***Subscribers in Saskatchewan***

If there is a misrepresentation in this Offering Memorandum, subscribers resident in Saskatchewan will have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) the Fund, the Promoter and Trustee at the date of the Offering Memorandum or any amendment thereto, every person or company whose consent has been filed with the Offering Memorandum (but only with respect to reports, opinions or statements that have been made by them), every person who signs the Offering Memorandum or any amendment thereto, and every person or company that sells the securities on behalf of the Fund under the Offering Memorandum for damages.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of one (1) year after learning of the misrepresentation and six (6) years after you signed the agreement to purchase the securities.

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

If there is a misrepresentation in this Offering Memorandum, subscribers resident in Manitoba have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) the Fund, the Trustee at the date of the Offering Memorandum or any amendment thereto and every person who signs the Offering Memorandum or any amendment thereto for damages.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and two (2) years after you signed the agreement to purchase the securities.

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

If there is a misrepresentation in this Offering Memorandum, subscribers resident in Ontario will have a statutory right to sue the Fund:

- (a) to cancel your agreement to buy these securities, or

- (b) for damages.

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

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

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

If there is a misrepresentation in this Offering Memorandum, subscribers resident in New Brunswick will have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) the Fund, the Trustee at the date of the Offering Memorandum or any amendment thereto and every person who signs the Offering Memorandum or any amendment thereto for damages.

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

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

### ***Subscribers in Nova Scotia***

If there is a misrepresentation in this Offering Memorandum, subscribers resident in Nova Scotia will have a statutory right to sue:

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

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 120 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 120 days after learning of the misrepresentation and three (3) years after you signed the agreement to purchase the securities.

***Subscribers in Prince Edward Island, Yukon, Northwest Territories or Nunavut***

If there is a misrepresentation in this Offering Memorandum, subscribers resident in Prince Edward Island, Yukon, Northwest Territories or Nunavut will have a statutory right to sue:

- (a) the Fund to cancel your agreement to buy these securities, or
- (b) the Fund, the Trustee at the date of the Offering Memorandum or any amendment thereto and every person who signs the Offering Memorandum or any amendment thereto for damages.

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

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

**10.4 General**

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

The rights of action described herein are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

**Item 11 Financial Statements**

Completed financial statements for the Fund are available on the Manager's website [www.crystalwealth.com](http://www.crystalwealth.com) and upon request from the Manager.

**Item 12 Islamic Finance Advisory Board Certification**

See below for IFB certification of the Fund's compliance with Shariah principles.