



# MERCHANT OPPORTUNITIES FUND

## OFFERING MEMORANDUM

**Date:** November 8, 2024

**Issuers:** Merchant Opportunities Trust (the “Trust”) and Merchant Opportunities Fund Limited Partnership (the “Partnership”) (each an “Issuer” and collectively, the “Issuers”) Merchant Opportunities Fund Services Ltd. (“Merchant Services” or “Manager”) distributes Units of the Trust and the Partnership to investors in its capacity as an Exempt Market Dealer. Merchant Services has also been retained to carry out certain management and administrative functions for the Trust and Partnership as the manager. The Partnership and Trust are considered a related and connected issuer of Merchant Services.

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**Currently listed or quoted?** No. These securities do not trade on any exchange or market.  
**Reporting Partnership?** No.  
**SEDAR filer?** Yes.

### THE OFFERINGS

**Securities offered:** Class “2” Units of the Trust and Class “F.T” Units of the Trust (collectively, the “Trust Units”) and Class “C” Units of the Partnership and Class “F” Units of the Partnership (collectively, the “Offered Partnership Units”) (and collectively, each a “Unit” and together, the “Units”).

**Price per security:** The subscription price per Trust Unit and per Offered Partnership Unit will be the Net Asset Value per Trust Unit or Net Asset Value per Offered Partnership Unit.

**Maximum offering:** \$250,000,000 maximum.

**Minimum offering:** There is no minimum. You may be the only purchaser.

**Minimum subscription:** Purchasers must subscribe for a minimum of \$5,000 of Units, unless waived.

**Payment terms:** Investors desiring to invest through a Deferred Plan will deliver a certified cheque, bank draft, money order, wire transfer or electronic funds transfer for payment of the Subscriber's total aggregate subscription amount, together with a duly executed and completed subscription agreement. Investors desiring to invest in Trust Units or Offered Partnership Units, but not through a Deferred Plan, will, unless directed otherwise by the Issuers, deliver a certified cheque, bank draft, money order, wire transfer or electronic funds transfer for payment of the Subscriber's total aggregate Subscription Amount, together with a duly executed and completed subscription agreement to “Merchant Opportunities Fund Limited Partnership” for Offered Partnership Units or “Merchant Opportunities Trust” for Trust Units. See item 5.2, “Subscription Procedure”.

**Proposed closing date:** The Offerings shall be completed in multiple tranches and the closings (the “Closings”) of such tranches may occur from time to time and at any time on such dates as determined by the Manager. If certain conditions have not been satisfied or waived on or before the date

selected by the Manager, in its sole discretion in respect of a Closing, subscriptions and subscription funds will be returned to subscribers without interest or deduction.

**Tax consequences:** There are important tax consequences to these securities. See item 6, "Tax Consequences and RRSP Eligibility".

**Compensation Paid to Sellers and Finders:** Yes. See item 8, "Compensation Paid to Sellers and Finders".

**Resale Restrictions:** You will be restricted from selling your securities for an indefinite period of time. See item 11.

**Conditions on Repurchases:** **You will have a right to require the Issuers to repurchase the Units from you, but this right is qualified by the restrictions described at item 5.1. As a result, you might not receive the amount of proceeds that you want. See item 5.1.**

**Purchaser's Rights:** You have 2 Business Days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See item 12.

**No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 9.**

**Capitalized terms used but not otherwise defined above have the meanings ascribed to them under "Glossary of Terms" in this Offering Memorandum or as otherwise described herein.**

**All dollar amounts in this Offering Memorandum are in Canadian dollars unless otherwise indicated.**

The Partnership and the Trust conditionally offer Units for sale by way of private placement to qualified investors who are residents of the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Newfoundland and Labrador, New Brunswick, Nova Scotia or Prince Edward Island, or the Northwest Territories, Nunavut or Yukon. Subscriptions will be received if, as and when accepted, subject to satisfaction of the conditions set forth under item 5.2, "Subscription Procedure" (if any) and to the right of the Manager to close the subscription books at any time without notice. Closings will be held from time to time as determined by the Manager. See item 5.2, "Subscription Procedure".

No action has been or will be taken to permit a public offering of the Units in any jurisdiction where action would be required to be taken for such purpose. Accordingly, the distribution or circulation of this Offering Memorandum and the offering and sale of the Units may be restricted by law in certain jurisdictions. This Offering Memorandum does not constitute, and may not be used for in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Memorandum may come are directed to inform themselves of and observe such restrictions and all legal requirements of their respective jurisdictions of residence in respect of the acquisition, holding and disposition of the Units.

**Prospective investors should thoroughly review this Offering Memorandum and are advised to consult with their own legal, investment, accounting, and tax advisors concerning this investment.**

The Units will be issued only on the basis of information contained in this Offering Memorandum and provided by the Manager, and no other information or representation has been authorized nor may be relied upon as having been authorized by the General Partner, the Trustee, the Manager, the Trust or the Partnership. Any subscription for the Units made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, shall be solely at the risk of such person. Neither the delivery of this Offering Memorandum at any time nor any sale of any Units made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Partnership since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

This Offering Memorandum has been prepared solely for delivery to and review by selected prospective purchasers of the Units. This copy of the Offering Memorandum is personal to the person to whom it is delivered and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Units.

Distribution of the Offering Memorandum to any person other than the person to whom it is delivered and those persons, if any, retained to advise such person with respect hereto is unauthorized, and any disclosure of any of its contents without the prior written consent of the Manager is prohibited. Each prospective purchaser, by accepting delivery of this Offering Memorandum, agrees to the foregoing and undertakes not to make any copies, electronic or otherwise, of or to otherwise reproduce, in whole or in part, this Offering Memorandum or any documents relating thereto and, if such prospective purchaser does not purchase any Units or the offering is terminated, to destroy or return promptly this Offering Memorandum and all such documents to the Manager, if so requested by the Manager.

### **Forward Looking Statements**

Certain information regarding the Issuers set forth in this Offering Memorandum, including the Issuers' future plans and business, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "intend", "plan", "potential", "predict", "project", "seek" or other similar words, or statements that certain events or conditions "may", "might", "could", "should" or "will" occur are intended to identify forward looking statements. Such statements represent the Issuers' internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, business opportunities, future expenditures, plans for and results of business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievement cannot be guaranteed since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Issuers' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Issuers.

Forward-looking statements included in this Offering Memorandum include, but are not limited to, statements with respect to: use of proceeds of the Offering; the business to be conducted by the Issuers; the ability to make and the timing and payment of distributions; payment of fees; the Issuers' business objectives; treatment under governmental regulatory regimes and tax laws; financial and business prospects and financial outlook; results of operations, the timing thereof and the methods of funding.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to the risks discussed under item 9, "Risk Factors" and other factors, many of which are beyond the control of the Issuers. Readers are cautioned that the foregoing list of factors is not exhaustive.

The forward-looking statements contained in this Offering Memorandum are based on a number of assumptions, including those relating to: the Issuers' business strategy and operations; the ability of the Issuers to achieve or continue to achieve their business objectives; the Issuers' expected financial performance, condition and ability to generate distributions; the Partnership, including its business strategy, operations, financial performance, condition and ability to generate distributions; possibility of substantial redemptions of securities; taxation of the Issuers; the impact on the Issuers of future changes in applicable legislation; application of legislation and regulations applicable to the Issuers; and availability of and dependence upon certain key employees of the General Partner or the Manager.

Although the forward-looking statements contained in this Offering Memorandum are based upon assumptions believed to be reasonable, the Issuers cannot assure investors that actual results will be consistent with these forward-looking statements.

The Issuers have included the above summary of risks related to forward-looking information provided in this Offering Memorandum in order to provide investors with a more complete perspective on the Issuers' current and future operations and such information may not be appropriate for other purposes. The Issuers' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Issuers will derive therefrom. These forward-looking statements are made as of the date of this Offering Memorandum and the Issuers disclaim any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable laws.

The Issuers are not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable laws. Due to the risks, uncertainties and assumptions contained herein, prospective subscribers should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

### **Documents Incorporated By Reference**

Any documents of the type referred to in National Instrument 45-106 – Prospectus Exemptions to be incorporated by reference in an Offering Memorandum, including any marketing materials that are effective after the date of this Offering Memorandum and before the termination of the Offerings, are deemed to be incorporated by reference in this Offering Memorandum. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Issuers at Suite 200 – 171 Water Street, Vancouver, British Columbia, V6B 1A7.

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

Information contained or otherwise accessed through the Issuers' website or any website does not form part of this Offering Memorandum or the Offerings.

### **Date of Information**

The information in this Offering Memorandum is stated as at November 8, 2024 unless otherwise indicated.

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## Defined Terms

In this Offering Memorandum, the following terms have the following meanings.

<b><i>Affiliate</i></b>	As defined in the <i>Business Corporations Act</i> (British Columbia) SBC 2002, c 57.
<b><i>applicable law</i></b>	Means, at any time, with respect to any Person, property, transaction or event, all applicable laws, statutes, regulations, treaties, judgments and decrees and (whether or not having the force of law) all applicable official directives, rules, consents, approvals, bylaws, permits, authorizations, guidelines, orders and policies of any Governmental Authority having authority over that Person, property, transaction or event.
<b><i>Asset Management Fee</i></b>	As defined in item 2.7, “ <i>Material Agreements – (I) Partnership Agreement</i> ”.
<b><i>BMO</i></b>	Means the Bank of Montreal
<b><i>BMO Credit Agreement</i></b>	Means the Credit Agreement dated November 23, 2020 between BMO and the Partnership, as amended from time to time.
<b><i>Book Value Premium</i></b>	See Net Asset Value of the Partnership.
<b><i>Business Day</i></b>	Any day of the year on which banks are not required or authorized by law to close in British Columbia.
<b><i>Capital Balance</i></b>	At any time with respect to a particular class of Partnership Units, the amount by which the aggregate of all Capital Contributions made in respect of that class of Partnership Units before that time exceed the aggregate of all Capital Distributions made in respect of that class of Partnership Units before that time.
<b><i>Capital Contribution</i></b>	Means the amount of money or the fair market value of property, determined at the time of contribution and expressed in money, contributed to the Partnership by a Partner under this Agreement.
<b><i>Capital Distribution</i></b>	Means the amount of money or the fair market value of property of the Partnership, determined at the time of distribution and expressed in money, distributed to a Partner as a distribution of capital.
<b><i>Class 1 Unit</i></b>	An interest in the Trust designated as a Class 1 Unit.
<b><i>Class 2 Unit</i></b>	An interest in the Trust designated as a Class 2 Unit.
<b><i>Class A Unit</i></b>	An interest in the Partnership designated as a Class A Unit.
<b><i>Class B Unit</i></b>	An interest in the Partnership designated as a Class B Unit.
<b><i>Class C Unit</i></b>	An interest in the Partnership designated as a Class C Unit.
<b><i>Class F Unit</i></b>	An interest in the Partnership designated for purposes of this Agreement as a Class F Unit. Class F Units may be issued to: (i) persons who participate in fee-based programs through eligible registered dealers; (ii) qualified persons in respect of whom the Partnership does not incur distribution costs; and (iii) qualified persons in the Manager’s sole discretion. If a Limited Partner ceases to be eligible to hold Class F Units, the Manager may, in its sole discretion, exchange such Limited Partner’s Class F Units for Class C Units on five days’ notice, unless such Limited Partner notifies the Partnership during the notice

period and the Manager agrees that the Limited Partner is once again eligible to hold Class F Units.

***Class F.T Unit*** An interest in the Trust designated for purposes of this Agreement as a Class F.T Unit.

***Class I Unit*** An interest in the Partnership designated as a Class I Unit. Class I Units may be issued to (i) institutional investors at the discretion of the Manager and (ii) qualified persons in the Manager's sole discretion. If a Limited Partner ceases to be eligible to hold Class I Units, the Manager may, in its sole discretion, exchange such Limited Partner's Class I Units for Class C Units on five days' notice, unless such Limited Partner notifies the Partnership during the notice period and the Manager agrees that the Limited Partner is once again eligible to hold Class I Units.

***Class I.T Unit*** An interest in the Trust designated for purposes of this Agreement as a Class I.T Unit.

***Class Ratio*** With respect to a particular class of Partnership Units as at a particular time, the proportion (expressed as a percentage to two decimal places) that the number of Partnership Units of that class constitutes of the aggregate number of Partnership Units of all classes at the relevant time.

***Class Return*** For the Offred Partnership Units for any Fiscal Year, an amount equal to 6% of the time-weighted average Capital Balance of such class of Partnership Units for such Fiscal Year, as calculated by the Manager according to the following formula:

$$A = 6\% \times (B + C - D)$$

where:

- A is the Class Return for the particular class of Partnership Units for the Fiscal Year, other than the Class A Units or the Class B Units;
- B is the Capital Balance as at the beginning of the Fiscal Year;
- C is the sum of each Capital Contribution made during such Fiscal Year multiplied by a fraction, the numerator of which is the number of days remaining in such Fiscal Year at the time of the making of such Capital Contribution and the denominator of which is 365; and
- D is the sum of each Capital Distribution made during such Fiscal Year multiplied by a fraction, the numerator of which is the number of days remaining in such Fiscal Year at the time of the making of such Capital Distribution and the denominator of which is 365;

provided that, for purposes of item D of the foregoing formula, a Capital Distribution shall be deemed to have been made in respect of each Partnership Unit redeemed on any Monthly Redemption Day or Quarterly Redemption Day in the amount of the proportion of the Capital Balance that is attributable to such Partnership Unit (whether or not the redemption price has in fact been paid at that time).

<b><i>Closings</i></b>	See proposed closing date on the cover page.
<b><i>CRA</i></b>	Canada Revenue Agency.
<b><i>Current Account</i></b>	Of any class of Partnership Units or the General Partner, means the account maintained in respect of that class of Partnership Units or the General Partner.
<b><i>Declaration of Trust</i></b>	Means the Third Amended and Restated Declaration of Trust dated April 4, 2022 with effect as of January 9, 2020 between the Trustee as the holder of the Initial Trust Units, and all persons who thereafter become holders of Trust Units.
<b><i>Deferred Plan</i></b>	Means a trust governed by a registered retirement savings plan (RRSP), registered retirement income fund (RRIF), locked-in retirement account (LIRA), or tax-free savings account (TFSA).
<b><i>Distributable Cash</i></b>	The amount of cash available for distribution as determined by the Manager from time to time.
<b><i>Distribution Date</i></b>	As defined in item 2.7, “ <i>Material Agreements – (II) Declaration of Trust</i> ”.
<b><i>EMD</i></b>	An exempt market dealer registered under applicable Canadian securities laws.
<b><i>Fiscal Year</i></b>	The year ending on December 31.
<b><i>Funding Agreement</i></b>	Means the Funding Agreement between the Trust, the Partnership and the General Partner dated January 9, 2020.
<b><i>General Partner</i></b>	Merchant Opportunities Fund Ltd., a company incorporated under the laws of British Columbia.
<b><i>Inter-Group Debt</i></b>	As defined in item 2.7, “ <i>Material Agreements – (XI) Inter-Group Debt</i> ”.
<b><i>Issuer</i></b>	Collectively, the Trust and the Partnership.
<b><i>ITA</i></b>	The <i>Income Tax Act</i> (Canada) and the regulations promulgated thereunder, as amended.
<b><i>Limited Partner</i></b>	Each of those persons who from time to time are admitted as a limited partner pursuant to the terms and conditions of the Partnership Agreement.
<b><i>Manager</i></b>	Merchant Opportunities Fund Services Ltd., a wholly owned subsidiary of the General Partner
<b><i>material fact</i></b>	A fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the Units.
<b><i>Merchant Asset Financing</i></b>	Merchant Growth Asset Financing Ltd.
<b><i>Merchant Asset Financing Facility</i></b>	As defined in item 2.2, “ <i>Our Business</i> ”.
<b><i>Merchant Canada</i></b>	Merchant Opportunities Canada Limited Partnership, a subsidiary of the Partnership.
<b><i>Merchant Services</i></b>	Merchant Opportunities Fund Services Ltd., a wholly owned subsidiary of the General Partner.
<b><i>Merchant Growth</i></b>	Merchant Growth Ltd.



<i>Merchant USA</i>	Merchant Opportunities USA Ltd., an indirect subsidiary of the Partnership.
<i>misrepresentation</i>	An untrue statement of a material fact or an omission to state a material fact that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.
<i>Monthly Redemption Day</i>	The first day of each calendar month.
<i>Net Asset Value of the Partnership</i>	<p>The net asset value of the Partnership at any time means the book value of assets of the Partnership less the book value of the liabilities of the Partnership, calculated in accordance with generally accepted accounting principles, subject to the following:</p> <p>(a) A premium (the “<b>Book Value Premium</b>”), initially being 5% shall be applied to the book value of the Receivables owned by Merchant Canada, followed by a deduction of the general bad debt provision. A premium is applied to reflect the increase in value that has occurred but has not yet been recorded in accordance with GAAP in Receivables owned by Merchant Canada, due to Merchant Canada’s election not to use the effective interest rate method in its accounting of factoring-like financing contracts. Such premium will be re-evaluated annually in conjunction with Merchant Canada’s annual audit, in order to account for changes in Merchant Canada’s portfolio mix and the economics of the Receivables owned by Merchant Canada. The most recent calculation of the Book Value Premium is available upon request.</p> <p>(b) There shall be a deduction from the net asset value of (i) the amount of any distributions payable to the Partners as of or prior to the time of determination and which have not been paid, and (ii) an amount equal to the balance of the General Partner’s Current Account.</p>
<i>Net Asset Value of the Trust</i>	Means the then fair market value of the assets of the Trust at the time the calculation is made less the amount of its liabilities at that time.
<i>Net Asset Value per Partnership Unit</i>	Means the then fair market value of the assets of the Partnership at the time the calculation is made less the amount of its liabilities at that time.
<i>Net Asset Value per Trust Unit</i>	Means the quotient obtained by dividing the amount equal to the Net Asset Value of the Trust by the total number of outstanding Trust Units.
<i>Net Income or Net Loss of the Partnership</i>	For any period, means, respectively, the net income or the net loss of the Partnership for such period determined in accordance with generally accepted accounting principles and shall include a provision for such reserves as in the opinion of the Manager are required for the business of the Partnership.
<i>New Business</i>	As defined in item 2.7, “ <i>Material Agreements- (I) Partnership Agreement</i> ”.
<i>Offered Partnership Unit</i>	Class “C” Units of the Partnership and Class “F” Units of the Partnership.
<i>Offering</i>	Offering of Units pursuant to this Offering Memorandum.
<i>Original Business</i>	As defined in item 2.7, “ <i>Material Agreements - (I) Partnership Agreement</i> ”.
<i>Partners</i>	The General Partner and the Limited Partners and “ <b>Partner</b> ” means any one of them.

<b><i>Partnership</i></b>	Merchant Opportunities Fund Limited Partnership.
<b><i>Partnership Act</i></b>	The <i>Partnership Act</i> (British Columbia) RSBC 1996, c 348.
<b><i>Partnership Agreement</i></b>	The seventeenth amended and restated limited partnership agreement of the Partnership, as may be further amended and restated from time to time.
<b><i>Partnership Purpose</i></b>	Has the meaning set out in item 2.7, " <i>Material Agreements</i> - (I) The Partnership Agreement", under the heading "(1) The Partnership - Business".
<b><i>Partnership Offering</i></b>	The private placement of Partnership Units by the Partnership under this Offering Memorandum.
<b><i>Partnership Unit</i></b>	An undivided interest in the Partnership, including a Class A Unit, a Class B Unit, a Class C Unit, a Class F Unit, a Class I Unit or, as the context may require, any other class of limited partnership unit issued or authorized to be issued by the Partnership pursuant to the Partnership Agreement.
<b><i>Persons</i></b>	<ul style="list-style-type: none"> <li>(i) an individual;</li> <li>(ii) a corporation;</li> <li>(iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and</li> <li>(iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative.</li> </ul>
<b><i>Preferred Return</i></b>	For the Class A Units or the Class B Units for any Fiscal Year, an amount equal to 8% of the time-weighted average Capital Balance of such class of Partnership Units for such Fiscal Year, as calculated by the Manager according to the following formula:

$$A = 8\% \times (B + C - D)$$

where:

A is the Preferred Return for the Class A Units or the Class B Units for the Fiscal Year;

B is the Capital Balance as at the beginning of the Fiscal Year;

C is the sum of each Capital Contribution made during such Fiscal Year multiplied by a fraction, the numerator of which is the number of days remaining in such Fiscal Year at the time of the making of such Capital Contribution and the denominator of which is 365; and

D is the sum of each Capital Distribution made during such Fiscal Year multiplied by a fraction, the numerator of which is the number of days remaining in such Fiscal Year at the time of the making of such Capital Distribution and the denominator of which is 365;

provided that, for purposes of item D of the foregoing formula, a Capital Distribution shall be deemed to have been made in respect of each Partnership Unit redeemed on any Monthly Redemption Day or Quarterly Redemption Day in the amount of the proportion of the Capital Balance that is attributable to such Partnership Unit (whether or not the redemption price has in fact been paid at that time).

<b><i>Promissory Note</i></b>	As defined in item 3.4, “ <i>Loans</i> ”.
<b><i>Qualified Person</i></b>	A person that is competent to enter into the Partnership Agreement, is not a “non-resident” of Canada within the meaning of the <i>Income Tax Act</i> (Canada), is not a non-Canadian within the meaning of the <i>Investment Canada Act</i> (Canada) and is otherwise qualified to be, or not disqualified from being, a Limited Partner pursuant to such criteria as the Manager shall determine from time to time. No Unit may be subscribed for by or on behalf of or registered in the name of any Person that: (i) is an entity, an interest in which would be a “tax shelter investment”, or which is acquiring the interest as a “tax shelter investment”, all within the meaning of the <i>Income Tax Act</i> (Canada); or (ii) the General Partner reasonably determines that there is a risk that the Partnership would become a “SIFT Partnership” within the meaning of subsection 197(1) of the <i>Income Tax Act</i> (Canada) as a result of the Unit being acquired by or on behalf of or registered in the name of such Person.
<b><i>Quarterly Redemption Day</i></b>	The last day of each calendar quarter.
<b><i>Receivables</i></b>	Means factoring, or factoring-like, financing contracts.
<b><i>Redemption Notice</i></b>	A written notice of a Limited Partner's intention to cause the Limited Partnership to redeem some or all of the Partnership Units of such Limited Partner.
<b><i>Redemption Notice Deadline</i></b>	1:00 pm (Vancouver time) on a date which is at least 60 days prior to the applicable Monthly Redemption Day or Quarterly Redemption Day.
<b><i>Redemption Price</i></b>	As defined in item 2.7, “ <i>Material Agreements – (I) Partnership Agreement</i> ” under the heading “(7) <i>Redemption of Partnership Units</i> ”.
<b><i>Retired General Partner</i></b>	Merchant Growth.
<b><i>Retraction Notice</i></b>	As defined in item 2.7, “ <i>Material Agreements – (II) Declaration of Trust</i> ” under the heading “(4) <i>Retractions</i> ”.
<b><i>Retraction Price</i></b>	As defined in item 2.7, “ <i>Material Agreements – (II) Declaration of Trust</i> ” under the heading “(4) <i>Retractions</i> ”.
<b><i>Retraction Right</i></b>	As defined in item 2.7, “ <i>Material Agreements – (II) Declaration of Trust</i> ” under the heading “(4) <i>Retractions</i> ”.
<b><i>Sale</i></b>	The sale or any other disposition (including the receipt of compensation for expropriation of, or recovery of damage awards or insurance proceeds, in respect of) all or any part of the properties or assets of the Partnership.
<b><i>Selling Agents</i></b>	While it is intended that Merchant Services will participate in the sale Units, the Issuers have engaged, and may engage, Selling Agents to review subscriptions for Units, communicate with Unitholders and potential investors as necessary, and to sell Units, in compliance with all applicable securities laws, as agents for the Issuers (see item 1, “ <i>Use of Available Funds</i> ”).
<b><i>Services Agreement</i></b>	As defined in item 2.2, “ <i>Our Business</i> ”.
<b><i>Services Fee</i></b>	As defined in item 2.7, “ <i>Material Agreements – (IX) Services Agreement</i> ”.
<b><i>Sharing Ratio</i></b>	With respect to any Limited Partner holding Partnership Units of a particular class at a particular time, means the proportion (expressed as a percentage to

	two decimal places) that the number of Partnership Units of such class held by such Limited Partner constitutes of the total number of Partnership Units of such class held by all Limited Partners at the relevant time.
<b><i>Special Resolution</i></b>	A resolution passed by a majority of not less than 67% of the votes cast at a meeting of the Limited Partners called for the purpose of considering such resolution, or a resolution in writing signed in one or more counterparts by Limited Partners holding not less than 67% of the votes entitled to vote on such resolution at a meeting.
<b><i>Subscription Agreement</i></b>	A subscription agreement for Units.
<b><i>Subscription Price</i></b>	Means, in respect of a Unit, the amount to be contributed to the capital of the Partnership or the Trust as consideration for the issuance of the Unit.
<b><i>Tax Act</i></b>	The <i>Income Tax Act</i> (Canada) RSC 1985, c 1 (5thSupp).
<b><i>Tax Law</i></b>	Any applicable law that imposes Taxes or that deals with the administration or enforcement of liabilities for Taxes.
<b><i>Tax Proposals</i></b>	As defined in item 6, "Tax Consequences and RRSP Eligibility".
<b><i>taxable capital gain</i></b>	One-half of any capital gain realized by a Trust Unitholder on a disposition or deemed disposition of Trust Units and the amount of any net taxable capital gains designated by the Trust in respect of a Trust Unitholder will be included in the Trust Unitholder's income as a taxable capital gain.
<b><i>Taxable Income or Tax Loss</i></b>	The amount of income or loss of the Partnership for a Fiscal Year determined by the Manager pursuant to the provisions of the <i>Income Tax Act</i> (Canada).
<b><i>Transfer</i></b>	As defined in item 2.7, "Material Agreements – (I) Partnership Agreement".
<b><i>Trust</i></b>	Merchant Opportunities Trust, a trust constituted by the Declaration of Trust, as the same may be amended, supplemented or restated from time to time.
<b><i>Trust Offering</i></b>	The private placement of Trust Units by the Trust under this Offering Memorandum.
<b><i>Trust Monthly Redemption Day</i></b>	The first day of each calendar month.
<b><i>Trust Quarterly Redemption Day</i></b>	The last day of each calendar quarter.
<b><i>Trust Redemption Notice</i></b>	The Trust Unitholder's written notice setting out the Trust Unitholder's intention to redeem Trust Units.
<b><i>Trust Redemption Price</i></b>	As defined in item 2.7, "Material Agreements – (II) Declaration of Trust" under the heading "(3) Redemption of Units".
<b><i>Trust Unit</i></b>	A Class 1 Unit, Class 2 Unit, Class F.T. Unit or Class I.T Unit of the Trust, which represents an interest in the Trust, as provided for in the Declaration of Trust, and has the rights privileges, restrictions and conditions set forth in the Declaration of Trust.
<b><i>Trust Unitholders</i></b>	Means, at any time, the Persons who hold Trust Units.
<b><i>Trustee</i></b>	The trustee of the Trust at that time, so long as such Person remains as trustee, which is currently David Gens.

***Unitholder***

A holder of Partnership Units or Trust Units.

***Units***

An undivided interest in the Partnership and or the Trust.

**Item 1 Use of Available Funds**

The following table discloses the funds that will be available as a result of the Offering:

**1.1 Funds**

		<b>Assuming min. offering</b>	<b>Assuming max. offering</b>
A.	Amount to be raised by this offering	\$0	\$250,000,000
B.	Selling commissions and fees	\$0	\$0 <sup>1</sup>
C.	Estimated offering costs <sup>2</sup>	\$25,000	\$50,000
D.	Available funds: $D = A - (B+C)$	\$0 <sup>3</sup>	\$250,000,000 <sup>3</sup>
E.	Additional sources of funding required	\$0	\$0
F.	Working capital deficiency	\$0	\$0
G.	Total: $G = (D+E)-F$	\$0 <sup>3</sup>	\$250,000,000 <sup>3</sup>

**1.2 Use of Available Funds**

The Trust will use proceeds from the sale of Trust Units to purchase Offered Partnership Units of Partnership.

The Partnership will use the Available Funds as set forth in the table below. Given that the Units are being offered on a continuous basis, the information is presented assuming a maximum offering of \$250,000,000. Actual funds raised by the Offering may be less than the assumed amounts.

<b>Description of intended use of available funds listed in priority</b>	<b>Assuming min. offering</b>	<b>Assuming max. offering</b>
Available funds will be used to: purchase receivables, make loans or purchase loans (indirectly through the Partnership's subsidiary, Merchant Opportunities Canada Limited Partnership (" <b>Merchant Canada</b> ") or Merchant Opportunities U.S.A Ltd. (" <b>Merchant USA</b> ")); or used for such other opportunities as determined by the Manager from time to time. <sup>4</sup>	\$0	\$250,000,000
<b>Total:</b> Equal to G in the Funds table above	\$0	\$250,000,000

<sup>1</sup> See item 8, "Compensation Paid to Sellers and Finders". These costs are paid by the General Partner, not the Trust or the Partnership.

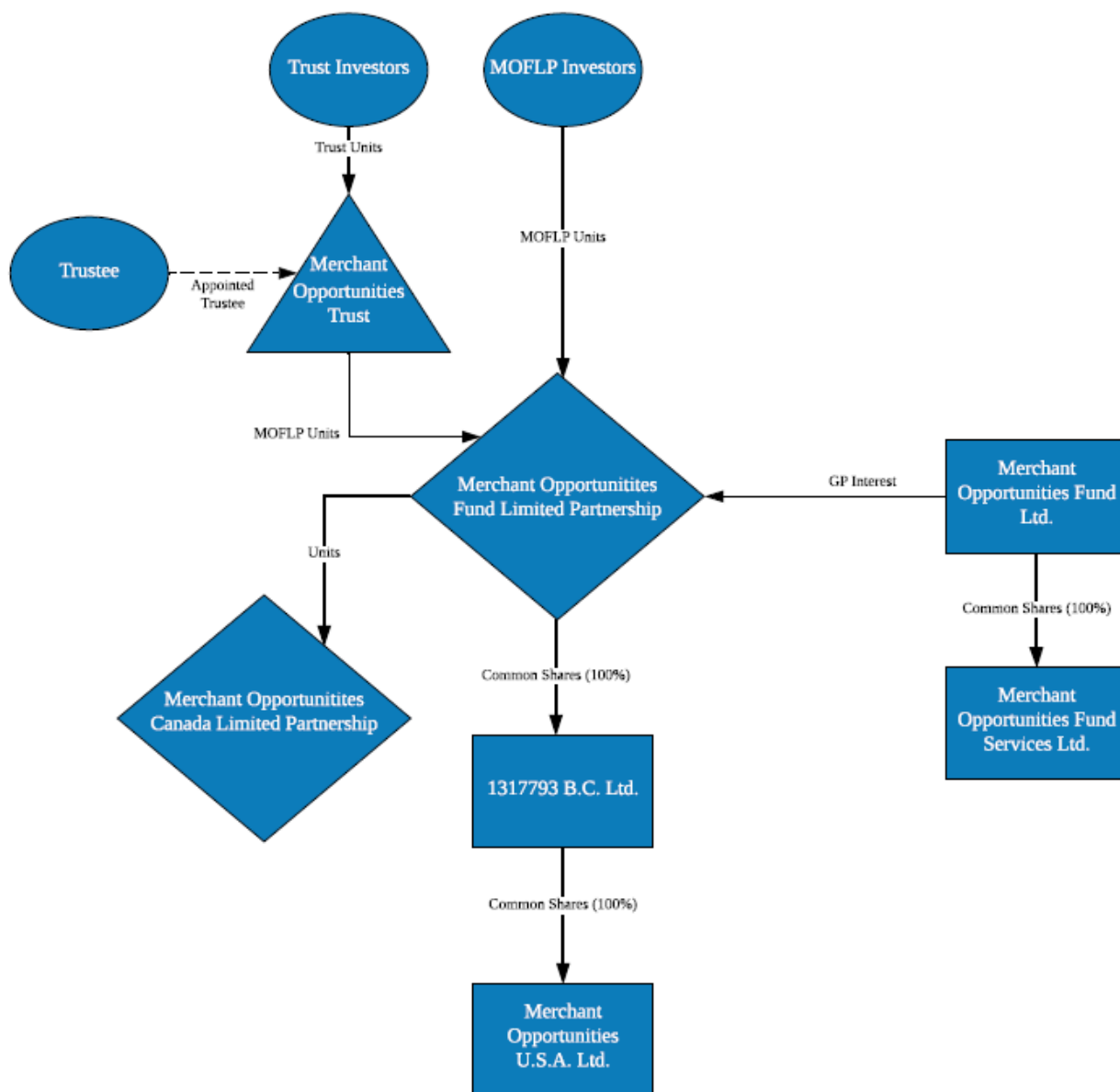
<sup>2</sup> Legal, accounting, auditing, marketing and due diligence expenses. Costs associated with the Offering will be paid by the Manager and the General Partner and the Manager have waived entitlement to reimbursement of these costs from the Partnership.

<sup>3</sup> As the estimated offering costs are paid by the Manager, and not the Trust or the Partnership, these items do not reduce the available funds to the Trust or Partnership.

<sup>4</sup> In the event that the Manager cannot identify viable opportunities to deploy the available funds, the Manager may direct funds to pay the BMO Credit Agreement between BMO and the Partnership or direct the Partnership to repay any other debt of the Partnership which may be outstanding from time to time. See item 2.7, "Material Agreements".

## Item 2 Business of the Issuers and Other Information and Transactions

### 2.1 Structure



The Trust was formed on January 9, 2020 pursuant to the Declaration of Trust under the laws of British Columbia and is an unincorporated, open-ended limited-purpose trust. Management and control of the Trust is vested exclusively in the Trustee, and the Trustee is authorized and obligated to carry on the activities and affairs of the Trust in accordance with the Declaration of Trust, with full power and authority to administer, manage, control and operate the activities and affairs of the Trust and to perform all acts and enter into and perform all contracts and other undertakings which are necessary or advisable or incidental thereto. See item 2.7, “Material Agreements”.

The Partnership (formerly known as Merchant Advance Capital Limited Partnership), is a limited partnership formed on March 31, 2010 under the laws of British Columbia by a certificate of limited partnership filed pursuant to the provisions of the Partnership Act and is governed by the Partnership Agreement. The General Partner or the Manager is authorized and obligated to carry on the activities and affairs of the Partnership in accordance with the Partnership Agreement, with power and authority to administer, manage, control and operate the activities and affairs of the Partnership and to perform all acts and enter into and perform all contracts and other undertakings which are necessary or advisable or incidental thereto. See item 2.7, “*Material Agreements*”.

The General Partner of the Partnership is Merchant Opportunities Fund Ltd., a company incorporated on May 22, 2019 pursuant to the provisions of the *Business Corporations Act* (British Columbia).

The General Partner has engaged Merchant Services (the “**Manager**”) to direct the day-to-day business, operations and affairs of the Partnership, including management of the Partnership’s portfolio on a discretionary basis and distribution of the Units of the Partnership. The Manager may delegate certain of these duties from time to time. See item 2.7 “*Management Agreement*”.

The Manager was incorporated on September 5, 2019 pursuant to the provisions of the Business Corporations Act (British Columbia). The name and municipality of residence of the directors, officers and portfolio manager of the Manager involved with the management of the Partnership, and the positions held by them are set out at item 3.1 “*Compensation and Securities Held*”.

The Partnership has formed three subsidiaries, two of which hold substantially all of assets of the Partnership. Merchant Canada is a limited partnership formed on August 6, 2024 under the laws of British Columbia by a certificate of limited partnership filed pursuant to the provisions of the Partnership Act and is governed by a Limited Partnership Agreement dated August 6, 2024. Merchant Canada holds substantially all of the Canadian assets.

1317793 B.C. Ltd. is a company formed under the laws of British Columbia on July 30, 2021 with the purpose of holding the shares of Merchant USA. Merchant USA was formed under the laws of Delaware on August 20, 2021. Merchant USA holds substantially all of the US assets.

## **2.2                    *The Business***

### *Business of The Trust*

The Trust’s primary purpose and sole business is to acquire Partnership Units, with the objective of generating returns to Trust Unitholders. Upon each Closing under the Trust Offering, the Trust will use the entire proceeds raised from the issuance of Trust Units to acquire Partnership Units. All expenses of the Trust Offering and the Partnership Offering will be borne by the General Partner, the Manager and the Partnership pursuant to the Funding Agreement. See item 2.7, “*Material Agreements*”.

The Trust allows investors to invest through Deferred Plans indirectly into the Partnership (see item 7.2, “*Eligibility for Investment in Trust Units by Deferred Plans*”). Consequently, investors that purchase Trust Units should also review this Offering Memorandum with respect to the Partnership.

### *Business of the Partnership*

The Partnership is a credit opportunities fund focused on generating yield and compounding capital over the long term. It does this by purchasing receivables and making loans indirectly, through its subsidiaries



Merchant Canada and Merchant USA.. The Partnership was formed on March 31, 2010. Since inception, the Partnership has directly or indirectly provided over 23,000 financings, totaling approximately \$710,000,000. This growth has led to the Partnership's evolution from a niche financing business to a diversified and professionally managed credit fund.

Currently, more than 61 % of the Partnership's assets are used to purchase receivables or enter loans originated by Merchant Growth. A lesser portion of the business is dedicated to capital deployment opportunities which have been identified by the Manager. The Manager is responsible for establishing and implementing the Partnership's objectives and strategy, setting any limitations or restrictions on investments, monitoring the performance of the portfolio, and making any adjustments to the portfolio.

As at September 30, 2024 the Partnership had total assets of \$124,399,523. The Partnership's total assets include approximately \$79,439,739 of Partnership capital and \$44,959,784 of debt (see item 3.4, "Loans"). The following table shows the Partnership's monthly and annual returns since 2011:

### MONTHLY NET RETURNS

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Full Year
2024	0.8%	1.0%	1.1%	1.2%	1.0%	1.1%	1.1%	1.1%	0.9%				
2023	0.8%	0.8%	0.8%	1.0%	1.0%	1.1%	1.1%	0.8%	0.6%	0.7%	1.0%	0.8%	<b>11%</b>
2022	1.1%	1.0%	1.0%	1.2%	0.7%	1.0%	1.0%	1.2%	0.9%	1.0%	1.0%	1.5%	<b>13%</b>
2021	0.1%	0.7%	0.7%	0.5%	0.5%	0.8%	0.9%	0.9%	1.0%	0.9%	0.9%	1.3%	<b>10%</b>
2020	0.9%	0.9%	-6.1%	-4.2%	-1.1%	0.6%	0.3%	0.6%	0.4%	0.5%	0.4%	0.5%	<b>-6%</b>
2019	0.2%	0.7%	0.1%	0.6%	0.3%	0.9%	0.8%	0.9%	0.7%	0.6%	1.0%	1.0%	<b>8%</b>
2018	0.1%	1.1%	-0.5%	-0.1%	0.9%	0.6%	0.6%	0.7%	0.9%	0.8%	0.7%	0.9%	<b>7%</b>
2017	-0.5%	1.7%	0.8%	0.5%	0.2%	1.0%	0.3%	1.4%	1.1%	1.0%	0.9%	-0.6%	<b>8%</b>
2016	0.2%	0.3%	1.2%	0.0%	0.8%	1.7%	1.5%	0.0%	1.3%	0.9%	0.2%	1.5%	<b>10%</b>
2015	-0.5%	0.8%	1.8%	1.1%	1.4%	1.7%	2.1%	2.3%	0.5%	1.2%	1.1%	1.0%	<b>15%</b>
2014	0.4%	2.5%	1.6%	-2.0%	1.3%	2.3%	-1.0%	1.6%	2.6%	1.2%	1.6%	2.1%	<b>15%</b>
2013	0.2%	-2.8%	0.5%	0.7%	1.7%	3.0%	1.6%	1.1%	0.0%	2.8%	1.1%	0.9%	<b>11%</b>
2012	-3.3%	5.8%	1.0%	-1.0%	2.2%	0.7%	-3.6%	0.3%	1.7%	-1.0%	1.4%	2.0%	<b>6%</b>
2011	-1.7%	0.0%	3.2%	1.3%	1.6%	0.8%	0.6%	1.8%	0.4%	0.7%	0.1%	0.3%	<b>10%</b>
2010	-	-	-	-	-	-	-	-	-	1.8%	0.2%	1.8%	-

Readers are cautioned that past performance should not be considered a representation or guarantee of future performance. The Partnership may or may not achieve similar results on a go-forward basis.

Monthly net returns represent the monthly percentage change in net asset value per unit, including the reinvestment of distributions into units of the Partnership. The net asset value of the Partnership at any time means the book value of assets less the book value of the liabilities, calculated in accordance with generally accepted accounting principles, subject to a book value premium being applied to the book value of Merchant Canada's investment in merchant cash advances. Such premium is applied to reflect the increase in value that has occurred but has not yet been recorded in accordance with GAAP in the merchant cash advances, due to the election not to use the effective interest rate method in accounting of factoring-like financing contracts. Such premium is re-evaluated annually in conjunction with the Partnership's annual audit, in order to account for changes in the Partnership's portfolio mix and the economics of the merchant cash advances held by Merchant Canada.

#### *Merchant Growth*

Merchant Growth is the operating entity that provides origination, underwriting and servicing to the Canadian receivables and loan portfolio owned by Merchant Canada. David Gens is a director and officer of Merchant Growth and the board of directors of Merchant Growth and the General Partner are the same persons and therefore under common control.

Merchant Growth has developed, and owns, proprietary, technology-driven application, underwriting and servicing infrastructure which enables small businesses to be funded in amounts between \$5,000 to \$800,000. Merchant Growth's technology includes proprietary credit adjudication models which enable a rapid online credit application and approval process.

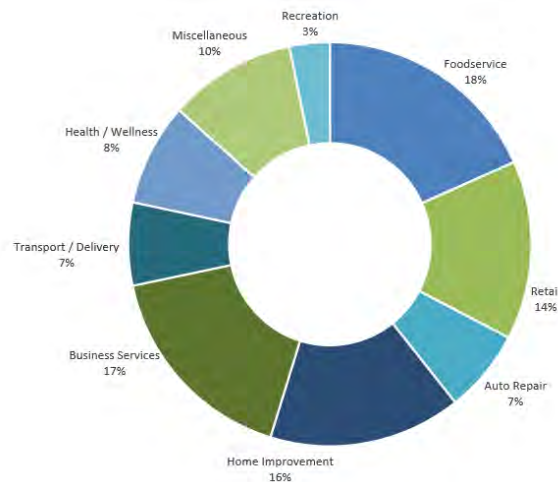
The receivables and loans originated and serviced by Merchant Growth are typically paid by small businesses on a daily or weekly basis, with an average contract length of approximately 11 months. The receivables and loan agreements originated and serviced by Merchant Growth are entered into exclusively with small business and these products are not for consumers.

Merchant Growth originates and services the following working capital financing products:

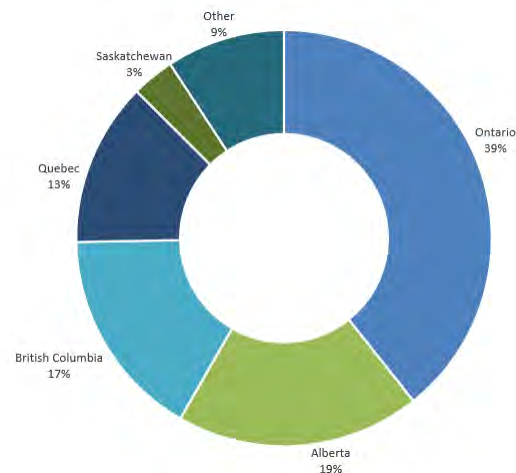
- (a) *Merchant Cash Advances*: A merchant cash advance is an agreement to purchase the rights to a percentage of the future receivables earned by a small business, at a discount. Merchant cash advances are priced using a factor rate. The factor rate is the multiple of the original capital provided in a transaction.
- (b) *Small Business Loans*. Term loans provided to small businesses.
- (c) *Line Of Credit*. Credit facilities established in favour of small businesses.

Small businesses use the above-noted products to fulfill working capital requirements as needed. As of September 30, 2024, the portfolio serviced through Merchant Growth was diversified across the industries and geographies set out in the table below. On September 30, 2024 the portfolio serviced through Merchant Growth consisted of 4,400 active accounts with an average account balance of \$27,187 per account. As of the date set out above, the net asset value of the portfolio serviced by Merchant Growth equals \$76,187,375 which represents 61.2% of the Partnership's total portfolio, of which 3.7% is impaired.

Industry Breakdown



Geographic Breakdown



### *Merchant Asset Financing*

The Partnership provided a credit facility to Merchant Asset Financing (the “**Merchant Asset Financing Facility**”), see item 2.7, “*Material Agreements*”, which the Partnership later assigned to Merchant Canada. Merchant Asset Financing is a subsidiary of Merchant Growth, and therefore under common control with the Partnership. The Merchant Asset Financing Facility provided Merchant Asset Financing with capital required to finance equipment leases and to make asset-backed loans. Merchant Asset Financing allowed the Partnership to:

- (a) deploy its capital into longer duration debt;
- (b) diversify its portfolio; and
- (c) accept tangible assets as security.

During 2020, following the COVID-19 pandemic, the General Partner determined there was a material decrease in the estimated recovery value of the repossessed equipment assets of Merchant Asset Financing. As a result, the General Partner believes it is unlikely to recover all interest and principal due from the facility and has determined that it no longer wishes that the Partnership, through its subsidiary Merchant Canada, deploy additional capital into the financing of equipment leases and is in the process of exiting this asset class. The Manager classifies the credit facility as credit impaired and, as of September 30, 2024, carries the facility net of a provision of \$3,911,641 which reduces the facility’s carrying value to \$329,106 which represents 0.3% of the Partnership’s total portfolio.

### *Learn Now Pay Later*

The Partnership entered into a loan purchase agreement with a lender that provides “learn now pay later” (the “**LNPL Lender**”) financing to consumers who wish to purchase digital courses, see item 2.7 “*Material Agreements*”, which the Partnership later assigned to Merchant Canada. This arrangement allows the Partnership to:

- (a) deploy its capital at attractive risk adjusted returns; and

- (b) diversify its portfolio.

As of September 30, 2024, the net asset value of the Partnership's Learn Now Pay Later portfolio equals \$13,014,491 which represents 10.5% of the Partnership's total portfolio, of which 0% is impaired.

#### *HVAC*

The Partnership provided a loan agreement (the "**HVAC Facility**") to a company (the "**HVAC Group**") that specializes in collecting on distressed heating, ventilation and air conditioning ("**HVAC**") loans which the Partnership later assigned to Merchant Canada. The HVAC Group may only use the HVAC Facility to purchase qualifying distressed HVAC loan assets, see item 2.7, "*Material Agreements*". The HVAC Facility allows the Partnership to:

- (a) deploy its capital at attractive risk-adjusted returns
- (b) diversify its portfolio.

As of September 30, 2024, the net asset value of the HVAC portfolio equals \$3,338,815 which represents 2.7% of the Partnership's total portfolio, of which 0% is impaired.

#### *Other / US Portfolio*

The Partnership, Merchant Canada and Merchant USA have purchased loans, receivables, participated in loans, entered into credit facilities or loan agreements, acquired units or structured notes, and may from time to time make other types of investments in the United States and in Canada. These opportunities are identified by originators in the United States and Canada and presented to the Fund for consideration. These opportunities allow the Partnership to:

- (a) deploy its capital at attractive risk-adjusted returns;
- (b) acquire new credit opportunities in the United States and Canada;
- (c) diversify its portfolio.

As of September 30, 2024 other assets denominated in CDN dollars equate to 9% of total assets under management. The net asset value of the other CDN portfolio equals CDN\$10,687,354, of which 0% is impaired.

As of September 30, 2024 other assets denominated in US dollars equate to 15% of total assets under management. The Partnership hedges the majority of the foreign currency exposure. The net asset value of the U.S. portfolio equals CDN\$18,592,049, of which 5.7% is impaired.

#### *Market*

The Partnership seeks opportunities in North America's alternative finance industry. These tend to be credit opportunities that don't fit traditional bank underwriting models or risk appetites. Opportunities primarily involve investing in portfolios that consist of credit extended to small business and consumers.

#### *Strategies*

The Partnership's strategy is to carefully evaluate alternative credit opportunities, structure them intelligently in order to minimize risks, and monitor the investments closely. By doing so, the Partnership is in a position to re-allocate capital between its credit portfolios to optimize the Partnership's performance. The Partnership may consider investing in additional credit portfolios that meet the following criteria:

- (a) Supply or demand imbalance resulting in underserved niche markets;
- (b) Diversified credit pools with small average loan or advance size and risk spread across many accounts; and
- (c) Attractive risk adjusted returns. The Partnership may utilize leverage when deploying capital.

### **2.3                      *Development of the Business of the Issuers***

The Partnership's assets under management increased from \$73,051,602 as of January 1, 2023 to \$102,433,147 as of December 31, 2023, and grew to \$124,399,523 as of September 30, 2024.

On November 23, 2020 the Partnership established a Credit Agreement (the "**BMO Credit Agreement**") with the Bank of Montreal ("**BMO**"), as amended. The BMO Credit Agreement initially provided the Partnership with a \$15 million funding commitment with a \$12.5 million accordion. The accordion was exercised on July 8, 2022, providing the Partnership with access to \$27 million. On November 18, 2022, the commitment was increased to \$40,000,000. On August 21, 2023, a syndicate partner was added to the facility and the commitment was increased to \$70 million along with a \$30 million accordion. On January 11, 2024, a second syndicate partner was added and the commitment was increased to \$100 million with a \$30 million accordion for a two-year term. In September of 2024, the BMO Credit Agreement was amended so that Merchant Canada become the borrower, and the Partnership and each of the Partnership's subsidiaries became guarantors to the BMO Credit Agreement.

The BMO Credit agreement requires monthly interest payments at either the Adjusted Term CORRA or Adjusted Term SOFR Spread plus 3.4% per annum, or the Bank of Montreal Canadian dollar prime rate or U.S. dollar base rate margin plus 1.9% per annum. The facility requires a standby fee be paid quarterly on undrawn facility amounts at a rate of 0.50% per annum. The loan is secured by the assets of Merchant Canada and the assets of the Partnership and each of the other guarantors.

### **2.4                      *Long-Term Objectives***

The Partnership plans to continue to prudently deploy capital in existing opportunities while identifying new credit portfolios that meet the following criteria:

- (a) Supply or demand imbalance resulting in underserved niche markets;
- (b) Diversified credit pools with small average loan or advance size and risk spread across many accounts; and
- (c) Attractive risk adjusted returns.

## 2.5 *Short-Term Objectives*

### (1) *The Trust*

The Trust, as a holder of Partnership Units, will rely on the short-term objectives of the Partnership.

<b>Actions to be taken</b>	<b>Target completion date or, if not known, number of months to complete</b>	<b>Cost to complete</b>
During the next 12-month period, the Trust intends to invest total available funds into Partnership Units.	It is the intention of the Trustees that the proceeds of any closing from a sale of Trust Units will be used to acquire Partnership Units as soon as reasonably possible.	N/A

### (2) *The Partnership*

The Partnership's objectives for the next 12-month period is to prudently deploy capital into existing and new opportunities.

<b>Actions to be taken</b>	<b>Target completion date or, if not known, number of months to complete</b>	<b>Cost to complete</b>
During the next 12-month period, the Partnership intends to use the proceeds raised pursuant to this Offering Memorandum to indirectly through subsidiaries purchase receivables or make or purchase loans; or deploy capital into such other opportunities as determined by the Manager from time to time.	The short-term targets of the Partnership are continuous and ongoing.	The minimum cost to complete shall equal the Asset Management Fee.

## 2.6 *Insufficient Funds*

Not applicable.

## 2.7 *Material Contracts*

Below is a summary of the material terms of the material agreements to which the Partnership is party.

**Capitalized terms used in this section which are not otherwise defined shall have the meanings ascribed thereto in such material agreement.**

### (I) **Partnership Agreement**

#### (1) *The Partnership*

The Partnership has been formed for the primary purpose of indirectly acquiring and holding private credit investments, and the Partnership may engage in such other activities as the General Partner deems appropriate and in the best interest of the Limited Partnership in furtherance of or in connection with or ancillary to such business (the "**Partnership Purpose**"). The Partnership shall not engage in activity unrelated to the Partnership Purpose unless approved by ordinary resolution of the Limited Partners.

The Partnership was formed on April 12, 2010, the date on which the initial certificate respecting the Partnership was filed under the Partnership Act, and shall continue until December 31, 2060 unless earlier dissolved in accordance with the Partnership Agreement.

The Fiscal Year of the Partnership shall end on December 31 in each year or at such other date as the General Partner may determine.

(2) *Capital and Capital Contributions*

The interest of the Limited Partners in the Partnership shall be divided into and represented by an unlimited number of Partnership Units.

Each class of Partnership Unit shall, except as otherwise provided in the Partnership Agreement, have attached thereto the same rights and obligations as, and shall rank equally and *pari passu* with, each other Partnership Unit with respect to distributions, allocations and voting.

Each Limited Partner shall contribute to the capital of the Partnership the Capital Contribution for each Partnership Unit subscribed for in accordance with the terms and conditions specified in the subscription agreement or in accordance with such other equivalent terms and conditions as the General Partner determines reasonable.

A Limited Partner who has subscribed for and paid the purchase price for the Partnership Units is not required to make any further contribution to the capital of the Partnership. The General Partner is not required to subscribe for any Partnership Units or otherwise contribute capital to the Partnership.

The General Partner may admit Qualified Persons as Limited Partners from time to time and is at any time authorized to cause the Partnership to issue additional Partnership Units, debt obligations or other securities of the Partnership, which may be convertible into Partnership Units or any class or series of Partnership Units (collectively, "**Securities**"), having the rights, conditions and privileges as the General Partner shall decide. The General Partner shall determine the price and terms and conditions with respect to any future issuance of Securities in a manner that it in good faith determines to be in the best interests of the Partnership.

The General Partner shall not permit or cause the Partnership to issue any new class of Securities ranking ahead of or on a parity with the Class A Units, the Class B Units, the Class C Units, Class F Units or Class I Units as to distributions, allocations of Net Income and Net Loss, dissolution or voting rights, without the prior approval by way of Special Resolution of the holders of the Class A Units, Class B Units, Class C Units, Class F Units or Class I Units respectively.

The Net Income of the Partnership for a Fiscal Year shall be allocated in the following order and amounts:

(a) firstly, *pari passu* as follows:

- (i) to the Class A Units and the Class B Units, up to the amount of the positive difference, if any, between the Preferred Return of each such class of Partnership Unit in respect of all prior Fiscal Years and the Net Income for such prior Fiscal Years already allocated to such class of Partnership Unit; and
- (ii) to the Class C Units, Class F Units and Class I Units up to the amount of the positive difference, if any, between the Class Return in respect of all prior Fiscal Years and the Net Income of the Partnership for such prior Fiscal Years already allocated to such class of Partnership Unit;

(b) secondly, *pari passu as follows*:

- (i) to the Class A Units and the Class B Units, up to the amount of the Preferred Return of each such class of Partnership Unit for such Fiscal Year; and
  - (ii) to the Class C Units, Class F Units and Class I Units up to the amount of the Class Return for such Fiscal Year.
- (c) thirdly, the amount of any remaining Net Income up to 25% of the aggregate amount allocated to the Limited Partners in such Fiscal Year pursuant to sub-sections (a) and (b) as follows:
- (i) the portion of the Net Income earned from the following businesses of the Partnership: purchases of future receivables, business loans and leases originated by Merchant Growth and Merchant Asset Financing (collectively, the “**Original Business**”), shall be paid to Merchant Growth (the “**Retired General Partner**”); and
  - (ii) the portion of Net Income earned from any other source other than those set out above (the “**New Business**”) shall be paid to the General Partner;
- (d) fourthly, any remaining Net Income shall be allocated (i) as to 80% thereof, to the Class A Units, the Class B Units, the Class C Units, Class F Units and the Class I Units and (ii) as to 20% thereof, to the Retired General Partner and the General Partner in proportion to Net Income earned as between the Original Business and the New Business.

The Net Loss of the Partnership for a Fiscal Year shall be allocated as follows:

- (a) firstly, to the Class A Units, the Class B Units, the Class C Units, the Class F Units and the Class I Units provided that the aggregate of all Net Loss amounts allocated to a class of Partnership Units in that or any previous fiscal period of the Partnership will not exceed the Capital Balance of that class at the end of the Fiscal Year; and
- (b) as to the balance, if any, to the Limited Partners or the General Partner at the discretion of the General Partner.

Net Income and Net Loss will be allocated between the Class A Units, the Class B Units, the Class C Units, the Class F Units and the Class I Units based on the Class Ratio of each class; and to a Limited Partner holding Partnership Units of a class, based on the Sharing Ratio of that Limited Partner in respect of that class, in each case, at a frequency no greater than at the end of each Fiscal Quarter, and at a minimum, at the end of the Fiscal Year in which the Net Income or Net Loss is allocated and subject to the limits prescribed in the relevant subsection of the Partnership Agreement to which the allocation is being calculated.

The Taxable Income in respect of any Fiscal Year will be allocated as of the end of such Fiscal Year to the Partners in the same relative proportions as they have been allocated Net Income in respect of such Fiscal Year.

The Tax Loss in respect of any Fiscal Year will be allocated as of the end of such Fiscal Year to the Partners in the same relative proportions as they have been allocated Net Loss in respect of such Fiscal Year.

The General Partner may make distributions of Distributable Cash to the General Partner and/or the Limited Partners on such periodic basis as the General Partner may determine from time to time pursuant to such distribution policy or policies as the General Partner may determine from time to time.



No Partner shall be entitled to a return, or to demand a return of any of such Partner's capital or entitled or entitled to any distribution or allocation except as provided in the Partnership Agreement.

To the extent permitted under the Partnership Act, in the absolute discretion of the General Partner, and notwithstanding the absence of any Distributable Cash, the General Partner may distribute to each Partner holding Partnership Units an amount up to a maximum of twenty-five percent (25%) of Net Income for a Fiscal Year (or such other maximum amount as may be determined by the General Partner from time to time), intended to enable such Partner (or if such Partner is a partnership, any of the Persons that are partners, directly or indirectly, of such Partner) to discharge a portion of its liability for Canadian federal, provincial and local income tax, capital tax or tax on large corporations arising from the allocations of Taxable Income in respect of such Fiscal Year made or to be made to in respect of such Partnership Units.

(3) *The General Partner*

The General Partner shall have the authority to manage, control, administer and operate the business and affairs of the Partnership and make all decisions regarding the Partnership Purpose. The General Partner has delegated such authority to the Manager.

Within 120 days after the end of each Fiscal Year the General Partner shall forward to each Limited Partner who was a Limited Partner at the end of such Fiscal Year an annual report for such Fiscal Year consisting of

- (a) financial statements of the Partnership prepared in accordance with generally accepted accounting principles consistently applied as at the end of such fiscal period and for the immediately preceding fiscal period consisting of:
  - (i) a balance sheet;
  - (ii) a statement of income (or loss);
  - (iii) a statement of changes in financial positions; and
  - (iv) a statement of Partners' equity;
- (b) a report of the Auditor on such financial statements;
- (c) a report on allocations and distributions to the Partners; and
- (d) such other information as, in the opinion of the General Partner, is material to the business for the Partnership.

The General Partner shall, within 60 days after the end of the first three fiscal quarters of each Fiscal Year, forward to each Limited Partner unaudited financial statements consisting of statements of income (or loss) and changes in financial position of the Partnership for the applicable fiscal quarter (and corresponding quarter in the immediately preceding Fiscal Year).

The General Partner may incur reasonable costs and expenses on behalf and for the account of the Partnership and any such costs and expenses incurred by the General Partner on behalf or for the account of the Partnership shall be reimbursed by the Partnership.

In consideration of the General Partner's provision of management and oversight of the Partnership's Business, and to compensate the Retired General Partner for past and ongoing services the General Partner

and the Retired General Partner shall be entitled to be paid, and the General Partner and the Retired General Partner may withdraw from Partnership, funds, as compensation for their services, an aggregate annual amount equal to:

- (a) Class A Units, Class B Units and Class C Units: 2% of total assets expressed on the Partnership's financial statements;
- (b) Class F Units: 1% of total assets expressed on the Partnership's financial statements;
- (c) Class I Units: Subject to the discretion of the General Partner. Persons who purchase Class I Units must enter into an agreement which identifies the Asset Management Fee negotiated with such person, (collectively, the "**Asset Management Fee**").

The Asset Management Fee shall be payable on a bi-weekly or semi-monthly basis as determined by the General Partner and is considered inclusive of all applicable taxes. The parties agree that the Asset Management Fee, shall be allocated to as follows:

- (a) Firstly, all costs incurred by the General Partner associated with securities compliance, fund raising, and general operating costs of the Partnership shall be deducted from the Asset Management Fee and shall be paid to the General Partner;
- (b) Secondly, the portion of the remaining Asset Management Fee earned from the Original Business shall be paid to the Retired General Partner; and
- (c) Thirdly, the portion of the remaining Asset Management Fee earned from any New Business shall be paid to the General Partner.

The General Partner shall not sell, assign, transfer or otherwise dispose of its interest or rights as the General Partner in the Partnership except with the prior approval of the Limited Partners given by a Special Resolution, unless any such assignment or transfer is in connection with and ancillary to a merger or amalgamation of the General Partner with another corporation or corporations which results in the surviving or continuing corporation being the General Partner of the Partnership or in the case of an assignment to a new General Partner which is formed solely for the purpose of acting as the General Partner of the Partnership and is a wholly-owned subsidiary of the General Partner. The General Partner shall promptly notify the Limited Partners in writing of any change in the effective control of the General Partner, directly or indirectly.

The General Partner may resign as the General Partner of the Partnership on not less than 180 days written notice thereof provided that the General Partner shall not withdraw if the effect thereof would be to dissolve the Partnership or constitute the Partnership a general partnership.

The General Partner shall be deemed to resign as the General Partner of the Partnership in the event of the bankruptcy, dissolution, liquidation or winding-up of the General Partner (or the commencement of any act or proceeding in connection therewith which is not contested in good faith by the General Partner) or by the insolvency of the General Partner or by the appointment of a trustee, receiver or receiver and manager of the affairs of the General Partner or if a mortgagee or other encumbrancer shall take possession of the property or assets of the General Partner or a substantial part thereof or if levy or execution or any similar process shall be levied or enforced against the property or assets of the General Partner.

Upon the resignation or deemed resignation of the General Partner, the General Partner may appoint a substitute general partner by an appointment in writing. If the General Partner fails to appoint a substitute general partner on or prior to such resignation or deemed resignation, then the Limited Partners may appoint such a substitute general partner by an ordinary resolution. Any such substitute general partner shall be subject to all responsibilities and entitlements of the General Partner in relation to the Partnership and the Partnership assets, and the General Partner shall have no further interest whatever in the Partnership or the Partnership assets other than its right to receive General Partner's fees and expenses attributable to when the General Partner held such position and subject to any existing monetary obligations owing to it at such time.

The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership to the extent of its assets.

(4) *The Limited Partners*

The Limited Partners shall not take part in the management or control of the business of the Partnership, shall not transact any business for the Partnership and shall not have the power to act for or bind the Partnership, said powers being vested solely and exclusively in the General Partner. No Limited Partner in its capacity as a Limited Partner shall maintain any action for partition or sale with respect to interests of the Partnership in real or personal property. The General Partner and each Limited Partner may engage in or hold an interest in any other business, venture, investment, or activity, whether or not similar to or competitive with the business.

A Limited Partner shall not at any time sell, transfer, assign, mortgage, charge, encumber or otherwise dispose ("**Transfer**") of the whole or any part of its Partnership Units without the express written consent of the General Partner, which may be withheld or conditioned in the sole discretion of the General Partner, with the following exceptions:

- (a) the Transfer to an Affiliate of the Limited Partner that is controlled by the Limited Partner or which is under common Control with the Limited Partner;
- (b) the Transfer from one Limited Partner to another Limited Partner who already owns Partnership Units;
- (c) the Transfer to an individual who controls that Limited Partner; and
- (d) the Transfer to an immediate family member of the Limited Partner (if such Limited Partner is an individual) or to an immediate family member of an individual that Controls the Limited Partner.

The General Partner may suspend or eliminate such limitations on transfer at its own discretion in order to provide for secondary market liquidity. The General Partner also reserves the right to exchange Class F Units or Class I Units, as the case may be, for Class C Units upon transfer if the General Partner determines that the proposed transferee is ineligible to hold Class F Units or Class I Units, as the case may be.

Except as otherwise held in the Partnership Agreement, the Limited Partners may by Special Resolution:

- (a) elect a new General Partner in anticipation of the retirement, insolvency, bankruptcy, or dissolution of the General Partner;
- (b) waive any default on the part of the General Partner on such terms as they may determine;
- (c) continue the Partnership in the event that the Partnership is terminated by operation of law;

- (d) agree to any compromise or arrangement by the Partnership with any creditor, creditors, or class or classes of creditors, or with the holders of any shares or securities of the General Partner;
- (e) require the General Partner, on behalf of the Partnership, to enforce any obligation or covenant on the part of any Limited Partner provided for in the Partnership Agreement;
- (f) amend, modify, alter, or repeal any Special Resolution previously passed by the Partners; and
- (g) amend or modify (which includes any alteration, addition, or deletion) the Partnership Agreement, provided that the General Partner has consented thereto and such amendment or modification does not increase in any material respect the liabilities or obligations of any Limited Partner who did not agree to such amendment or modification.

Subject to applicable law, the liability of each Limited Partner for the debts, liabilities and obligations of the Partnership shall be limited to the amount of such Limited Partner's actual Capital Contribution, any unpaid amount of subscribed Capital Contribution or other additional amount the Limited Partner has agreed to contribute to the capital of the Partnership and such Limited Partner's share of the undistributed assets of the Partnership. A Limited Partner shall have no further liability for such debts, liabilities or obligations and shall not be liable for any further calls, assessments or contributions to the Partnership.

(5) *Meetings of the Partnership*

The General Partner shall call an annual meeting of Limited Partners to be held between February 1 and June 30 in each calendar year after the first Fiscal Year for the purpose of reviewing the Partnership Purpose. In addition, the General Partner may call such meetings of the Limited Partners as it considers appropriate and shall call a meeting upon receipt of a written request from Limited Partners holding, in the aggregate, not less than 10% of the outstanding Partnership Units (excluding Partnership Units held by the General Partner). If the General Partner fails or neglects to call, within 15 days after receipt of such written request, a meeting to be held within 75 days after receipt of such written request then any Limited Partner may call the meeting. Meetings are to be held at the principal place of business of the Partnership or such other place in Canada as the General Partner may designate.

A quorum at any meeting of the Limited Partners shall consist of not less than two persons present in person and holding or representing by proxy at least 25% of the aggregate number of outstanding Partnership Units entitled to vote at the meeting.

Except as specified in the Partnership Agreement, each Limited Partner shall be entitled to one vote for each Partnership Unit held, which vote may be exercised in person or by proxy and, unless the Partnership Agreement specifies that the particular question is to be decided by Special Resolution, shall be decided by ordinary resolution.

(6) *Amendments*

The General Partner may, without prior notice to or consent from any Limited Partner, amend any provisions of the Partnership Agreement from time to time:

- (a) to make such amendments or deletions as in the opinion of the General Partner are reasonably required by any lenders providing financing for the Partnership Purpose provided any such amendment does not impose on any Limited Partner a direct obligation to contribute further capital to the Partnership or to provide guarantees or indemnities;

- (b) for the purpose of adding, amending, or deleting provisions of the Partnership Agreement which addition, amendment, or deletion is, in the opinion of counsel to the Partnership for the protection of or otherwise to the benefit of the Limited Partners;
- (c) cure an ambiguity or to correct or supplement any provisions contained herein which, in the opinion of counsel to the Partnership, may be defective or inconsistent with any other provisions, provided the cure, correction, or supplemental provisions does not and will not adversely affect the interests of Limited Partners;
- (d) to make such other provisions in regard to matters or questions arising under the Partnership Agreement which, in the opinion of counsel to the Partnership, do not and will not adversely affect the interests of the Limited Partners; or
- (e) to make such amendments or deletions to take into account the effect of any change in, amendment of, or repeal of any applicable legislation, which amendments, in the opinion of counsel of the Partnership, do not and will not adversely affect the interests of the Limited Partners.

The Partnership Agreement may be amended in writing on the initiative of the General Partner with the approval of the Limited Partners given by a Special Resolution, provided that:

- (a) the Article in the Partnership Agreement regarding amendments may not be amended;
- (b) the Partnership Agreement shall not be amended so as to provide for additional Capital Contributions from any Limited Partner without the approval of such Limited Partner; and
- (c) the Partnership Agreement shall not be amended so as to adversely affect the rights of the General Partner without the consent of the General Partner.

*Notice to Limited Partners*—Limited Partners shall be notified of the full details of any amendments to the Partnership Agreement within 30 days of the effective date of the amendment.

(7) *Redemption of Partnership Units*

Except as otherwise provided in the rights attached to a particular class of Unit, Units may be redeemed on the first day of any calendar month, in the month after a Redemption Notice was received by the Partnership, provided that the aggregate value of Units being redeemed equals less than 2.5% of the total value of the Units at the end of the calendar month for which the redemption is to occur (the “**Monthly Redemption Day**”). If, in any given month, more than 2.5% of the total value of Units are being redeemed, then except as otherwise provided in the rights attached to a particular class of Partnership Unit, such Partnership Unit may be redeemed on the last day of each calendar quarter (each, a “**Quarterly Redemption Day**”) by the holding Limited Partner by the giving of a Redemption Notice, on the terms and subject to the limitations and conditions set forth in the Partnership Agreement.

The redemption price (the “**Redemption Price**”) per Partnership Unit redeemed will be equal to the sum of:

- (a) the Net Asset Value per Partnership Unit applicable on the applicable Monthly Redemption Day or Quarterly Redemption Day, as hereinafter determined; plus

- (b) any distributions payable in respect of such Partnership Unit as of or prior to the applicable Monthly Redemption Day or Quarterly Redemption Day,

which amount will be reduced:

- (c) if the Monthly Redemption Day or Quarterly Redemption Day is prior to the first anniversary of the date of issue of the Partnership Unit, by an amount equal to 6% of the Subscription Price of the Partnership Unit;
- (d) if the Monthly Redemption Day or Quarterly Redemption Day falls between the first and second anniversary (inclusive) of the date of issue of the Partnership Unit, by an amount equal to 4.75% of the subscription price of the Partnership Unit;
- (e) if the Monthly Redemption Day or Quarterly Redemption Day falls between the second and third anniversary (inclusive) of the date of issue of the Partnership Unit, by an amount equal to 3.5% of the subscription price of the Partnership Unit;
- (f) if the Monthly Redemption Day or Quarterly Redemption Day falls between the third and fourth anniversary (inclusive) of the date of issue of the Partnership Unit, by an amount equal to 2.25% of the subscription price of the Partnership Unit; and
- (g) if the Monthly Redemption Day or Quarterly Redemption Day falls between fourth and fifth anniversary (inclusive) of the date of issue of the Partnership Unit, by an amount equal to 1.0% of the subscription price of the Partnership Unit; and
- (h) if the Monthly Redemption Day or Quarterly Redemption Day falls after the fifth anniversary (inclusive) of the date of issue of the Partnership Unit, there will be no such reduction.

The General Partner may, in its discretion, waive the reduction of the redemption amount as set out above for any particular redemption request.

On any Quarterly Redemption Day no Limited Partner may redeem more than 25% of the Partnership Units that were held by such Limited Partner prior to the first redemption of Partnership Units by the Limited Partner that occurred within the immediately preceding 12 month period. No such limitation applies if the Monthly Redemption Day is applied and payment in full occurs.

The Redemption Price payable on the redemption of a Partnership Unit shall be determined as of 12:00 o'clock midnight (Vancouver time) on the next Monthly Redemption Day or Quarterly Redemption Day following receipt by the General Partner of a properly completed Redemption Notice, provided the Redemption Notice is received at or prior to 1:00 pm (Vancouver time) on a date which is at least 1 day prior to the applicable Monthly Redemption Day or 60 days prior to the applicable Quarterly Redemption Day (the "**Redemption Notice Deadline**"), and provided further that redemption of Partnership Units has not been suspended as provided the Partnership Agreement. The Redemption Price may be adjusted at any time prior to payment of the same. Redemption of Partnership Units under Redemption Notices received after the Redemption Notice Deadline shall be deferred until the following Monthly Redemption Day or Quarterly Redemption Day and shall be effected at the Redemption Price applicable on that next following Monthly Redemption Day or Quarterly Redemption Day, provided that redemption of Partnership Units has not been suspended as provided in the Partnership Agreement. Redemption Notices are irrevocable (except in the case of suspension of redemptions as provided in the Partnership Agreement). The General Partner will notify the Limited Partner of any deficiencies in any Redemption Notice given. With effect as at the applicable Monthly

Redemption Day or Quarterly Redemption Day, the Partnership Units being redeemed will be cancelled and any subsisting Partnership Units will be noted in the Partnership Unit registry.

The Monthly Redemption Price payable on redemption of Units will be paid to the redeeming Limited Partner by cheque, wire transfer or direct deposit within 45 days from the Monthly Redemption Day. The Quarterly Redemption Price payable on redemption of Partnership Units will be paid to the redeeming Limited Partner by cheque, wire transfer or direct deposit in two equal instalments, subject to any required adjustments permitted hereunder. The first of such instalments will be paid within 30 days after the applicable Quarterly Redemption Day and the second instalment will be paid within 120 days after the applicable Quarterly Redemption Day.

The General Partner may suspend the redemption of Partnership Units and payment of the Redemption Price in respect thereof:

- (a) whenever the aggregate number of Partnership Units being redeemed exceeds 10% of the outstanding Partnership Units of the Partnership, to allow for the orderly liquidation of Partnership property; and
- (b) during any period in which the General Partner determines, in its discretion, that conditions exist which render impractical either the orderly liquidation of Partnership property or the determination of the Redemption Price.

Suspension of redemption of Partnership Units shall terminate on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. The General Partner shall apply the suspension to all requests for redemption received prior to suspension for which payment has not been made, as well as to all requests for redemption received while the suspension is in effect. All Limited Partners making redemption requests will be given notice by the General Partner advising of the suspension, that redemptions shall be effected on the basis of the Redemption Price determined on the first Business Day following the termination of the suspension and that Limited Partners have the right to withdraw their requests for redemption. Any declaration of suspension by the General Partner is final and conclusive. If the right of redemption is suspended, a Limited Partner may by notice in writing to the General Partner either withdraw its redemption notice order or elect to receive a Redemption Price determined as at the first Business Day following the termination of the suspension.

The General Partner may, in its discretion, waive any of the limitations or conditions set out above for any particular redemption request and allow a Limited Partner to redeem all or any part of the Partnership Units held by such Limited Partner at such time (whether before or after the first anniversary of the date of issue of a Partnership Unit) and on such terms and conditions as the General Partner determines, in its discretion, to be in the best interests of the Partnership. In addition, the General Partner may cause a Partner to redeem and withdraw entirely from the Partnership at any time for any reason, and no Partner will have any recourse to liability against the Partnership or the General Partner for such redemption or withdrawal.

(8) *Inter-Group Borrowings.*

The Partnership may cause its subsidiary, Merchant Canada, to lend an amount to:

- (a) the Retired General Partner for the purpose of covering the cost of certain general corporate expenses and capital costs incurred by the Retired General Partner in relation to management or operations, up to the aggregate amount equal to the lower of: (i) 12% of the trailing twelve months of Retired General Partner originations funded by the Partnership; or (ii) 6% of the trailing twenty four months of Retired General Partner originations funded by the Partnership; and

- (b) the General Partner for the purpose of covering the cost of certain general corporate expenses incurred by the General Partner in relation to fundraising, management, or operations in an amount up to \$500,000

(collectively, the “**Inter-Group Debt**”).

The Partnership may cause its subsidiary, Merchant Canada, to call the Inter-Group Debt upon demand. Upon receipt of a call notice, the Inter-Group Debt shall be repayable and amortize over a three-year term. The Inter-Group Debt may be repaid or prepaid at any time without penalty. The Inter-Group Debt shall be evidenced by a promissory note or facility agreement and shall bear interest at the rate of at least 10%.

(9) *Dissolution of the Partnership*

The Partnership shall be dissolved upon the earliest to occur of the following:

- (a) December 31, 2060;
- (b) the General Partner giving written notice to the Limited Partners of the dissolution and winding up of the Partnership; and
- (c) the resignation or deemed resignation of the General Partner, unless the General Partner is replaced within 120 days of such resignation or deemed resignation.

In the event of the dissolution of the Partnership, the General Partner shall commence to wind up the affairs of the Partnership and to liquidate its assets. The Partners shall continue to share Net Income and Net Loss during the period of liquidation in the same proportion as before the dissolution. The General Partner shall have full right and unlimited discretion to determine the time, manner and terms of any Sale pursuant to such liquidation having due regard to the activity and condition of the relevant market and general financial and economic conditions.

Following the payment of or provision for all debts and liabilities of the Partnership and all expenses of liquidation, and subject to the right of the General Partner to set up such cash reserves as it may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership, the proceeds of the liquidation and any other funds of the Partnership shall be distributed to the Partners in accordance with the Partnership Agreement.

No Limited Partner shall have any right to demand or receive property other than cash upon dissolution and termination of the Partnership or to demand the return of his Capital Contribution to the Partnership other than upon the dissolution and termination of the Partnership.

(10) *Auditors*

The auditor of the Partnership is KPMG LLP. The auditor of the General Partner is DMCL LLP.

**For further information on terms contained in the Partnership Agreement which affect the rights of Unitholders refer directly to the Partnership Agreement, a copy of which may be obtained from the Partnership.**

**(II) Declaration of Trust**

The material agreement of the Trust is the Third Amended and Restated Declaration of Trust dated April 4,



2022, which governs the Trust and the rights and obligations of the Trustees and Trust Unitholders. The Trust is an unincorporated, open-ended limited purpose trust. The purpose of the Trust is to invest its funds in Partnership Units.

(1) *Management*

The management and control of the Trust is vested exclusively in the Trustees, and the Trustees are authorized and obligated to carry on the activities and affairs of the Trust, with full and exclusive power and authority to administer, manage, control and operate the activities and affairs of the Trust as expressly provided in the Declaration of Trust. Under the Declaration of Trust, the Trustees have all power and authority, for and on behalf of, in the name of and at the expense of, the Trust to do any act, take any proceeding, make any decision and execute and deliver any agreement, certificate, deed or other instrument necessary for or incidental to the activities or affairs of the Trust.

(2) *Distribution Policy*

The Trustees shall determine the amount of the net income and the net realized capital gains of the Trust on a quarterly basis or on such other periodic basis as the Trustees may determine from time to time (the “**Distribution Date**”) in accordance with generally accepted accounting principles.

The net income of the Trust shall be computed as of the close of business on each Distribution Date in accordance with the following rules:

- (a) Capital gains and capital losses shall be excluded;
- (b) Income of the Trust shall be computed in accordance with generally accepted accounting principles; and
- (c) All expenses and liabilities due and accruing due which are chargeable to income, if any, shall be deducted in computing net income.

The net realized capital gains of the Trust shall be computed as of each Distribution Date on the basis of capital gains net of capital losses from dispositions (as such term is construed in the *Income Tax Act* (Canada)) of Partnership Units made during the period plus any capital gains allocated to it by the Partnership less any capital losses allocated to it by the Partnership all since the then preceding Distribution Date (or in the case of the first Distribution Date, from the inception of the Trust) less net unapplied capital losses realized in and carried forward from prior periods.

Such portions of the net income and net realized capital gains, respectively, shall be payable on each Distribution Date to the Trust Unitholders (pro rata to the number of Trust Units of each Class held by Trust Unitholders at the close of business on the record date, being the penultimate valuation date in each taxation year). The amounts payable to each Trust Unitholder, plus any tax required to be deducted therefrom, shall not be included in the assets of the Trust for the purposes of determining the Net Asset Value of the Trust on or after the Distribution Date. Until the portion of the net income and net realized capital gains payable to the Trust Unitholders under the provisions of this Section is reinvested in Trust Units or paid to Trust Unitholders in cash, such amount shall be treated as a liability of the Trust. Notwithstanding anything contained herein to the contrary, the Trust shall in each fiscal year be required to distribute to the Unitholders an amount equal to the aggregate of the amount sufficient to reduce the taxable income of the Trust for the purposes of the *Income Tax Act* (Canada).

On and after each Distribution Date, such amount, if any, as is payable to each Trust Unitholder shall be reinvested in additional Trust Units of the same Class as the Trust Units held by the Trust Unitholder, at the Net Asset Value Per Trust Unit for that Class calculated on the Distribution Date on which such amount was first payable to the Trust Unitholder, or if a Trust Unitholder elects to receive such amount in cash, shall be paid in cash to the Trust Unitholder on or after each Distribution Date. No sales charge or commission shall be payable by a Trust Unitholder in connection with any such reinvestment.

On or before March 31 in each year, the Trustee shall cause Trust Unitholders to be provided with the information pertaining to the Trust, including all distributions and allocations, which are necessary to permit the Trust Unitholders to complete their individual income tax returns for the preceding year. In the event that the Trust Units cease to be eligible investment for registered plans the Trustee shall, forthwith upon becoming aware of such event, give written notice to each Trust Unitholder.

(3) *Redemption of Units*

Trust Units may be redeemed on the first day of any calendar month, by the holding Trust Unitholder by giving written notice (the “**Trust Redemption Notice**”) in the month after a Trust Redemption Notice was received by the Trust, provided that the aggregate value of all Units of the Partnership being redeemed equals less than 2.5% of the total value of the Partnership Units at the end of the calendar month for which the redemption is to occur (the “**Monthly Redemption Day**”). If, in any given month, more than 2.5% of the total value of the Partnership Units are being redeemed, than Trust Units may be redeemed on the last day of each calendar quarter (each, a “**Trust Quarterly Redemption Day**”) by the holding Trust Unitholder by giving the Trust Redemption Notice. By delivering a Trust Redemption Notice to the Trust, the Unitholder will be deemed to have irrevocably surrendered such Unitholder's Units for Redemption as of the Trust Monthly Redemption Day or the Trust Quarterly Redemption Day. The redemption price (the “**Trust Redemption Price**”) per Unit redeemed will be equal to the sum of:

- (a) the Net Asset Value per Trust Unit applicable on the applicable Trust Monthly Redemption Day or the Trust Quarterly Redemption Day; plus
- (b) any distributions payable in respect of such Trust Unit as of or prior to the applicable Trust Monthly Redemption Day or the Trust Quarterly Redemption Day,

which amount will be reduced:

- (c) if the Trust Monthly Redemption Day or the Trust Quarterly Redemption Day falls prior to the first anniversary (inclusive) of the date of issue of the Unit, by an amount equal to 6% of the Subscription Price of the Trust Unit;
- (d) if the Trust Monthly Redemption Day or the Trust Quarterly Redemption Day falls between the first and second anniversary (inclusive) of the date of issue of the Unit, by an amount equal to 4.75% of the Subscription Price of the Trust Unit;
- (e) if the Trust Monthly Redemption Day or the Trust Quarterly Redemption Day falls between the second and third anniversary (inclusive) of the date of issue of the Unit, by an amount equal to 3.5% of the Subscription Price of the Trust Unit;
- (f) if the Trust Monthly Redemption Day or the Trust Quarterly Redemption Day falls between the third and fourth anniversary (inclusive) of the date of issue of the Unit, by an amount equal to 2.25% of the Subscription Price of the Trust Unit;

- (g) if the Trust Monthly Redemption Day or the Trust Quarterly Redemption Day falls between fourth and fifth anniversary (inclusive) of the date of issue of the Unit, by an amount equal to 1.0% of the Subscription Price of the Trust Unit; and
- (h) if the Trust Monthly Redemption Day or the Trust Quarterly Redemption Day falls after the fifth anniversary (inclusive) of the date of issue of the Trust Unit, there will be no such reduction.

The Trustees may, in their discretion, waive the reduction of the redemption amount as set out above for any particular redemption request.

The Trust Redemption Price payable on the redemption of a Trust Unit shall be determined as of 12:00 o'clock midnight (Vancouver time) on the next Trust Monthly Redemption Day or the Trust Quarterly Redemption Day following receipt by the Trust of a properly completed Trust Redemption Notice, provided the Trust Redemption Notice is received at or prior to 1:00 pm (Vancouver time) on a date which is at least 1 day prior to the applicable Trust Monthly Redemption Day or 60 days prior to the applicable Trust Quarterly Redemption Day (the "**Trust Redemption Notice Deadline**"), and provided further that redemption of Trust Units has not been suspended. The Trust Redemption Price may be adjusted at any time prior to payment of the same. Redemption of Units under Trust Redemption Notices received after the Trust Redemption Notice Deadline shall be deferred until the following Trust Monthly Redemption Day or the Trust Quarterly Redemption Day and shall be effected at the Trust Redemption Price applicable on that next following Trust Monthly Redemption Day or the Trust Quarterly Redemption Day provided that redemption of Trust Units has not been suspended. Trust Redemption Notices are irrevocable (except in the case of suspension of redemptions). The Trustees will notify the Trust Unitholders of any deficiencies in any Trust Redemption Notice given. With effect as at the applicable Trust Monthly Redemption Day or the Trust Quarterly Redemption Day, the Units being redeemed will be cancelled and any subsisting Trust Units will be noted in the Trust Unit registry.

The Trustees may suspend the redemption of Trust Units and payment of the Trust Redemption Price in respect thereof during any period in which the Trustees determine, in their discretion, that conditions exist which render impractical either the orderly liquidation of Trust property or the determination of the Trust Redemption Price.

#### *(4) Retractions*

The Trustees shall have the right, on behalf of the Trust, at any time (the "**Retraction Right**"), by delivering a written retraction notice (the "**Retraction Notice**") to the Trust Unitholders, to repurchase the number of Units as set out in the Retraction Notice on a pro rata basis from all the Trust Unitholders at a price (the "**Retraction Price**") equal to the Net Asset Value per Trust Units as of the last Valuation Date prior to which Retraction Notice was delivered.

The Retraction Right may only be exercised by the Trustees, on behalf of the Trust, if all liabilities of the Trust have been paid or there remains sufficient Trust Property, after exercise of the Retraction Right, to pay such liabilities.

#### *(5) Trust Unitholder Meetings and Voting*

The Trustees may, at any time, call a special meeting for the Trust Unitholders to which all of the Trust Unitholders will be invited to attend. Trust Unitholders holding in the aggregate not less than 20% of the outstanding Trust Units of the Trust may requisition the Trustees in writing to call a special meeting of the

Trust Unitholders. Quorum for such meetings will be two or more Trust Unitholders representing at least 10% of the Trust Units then outstanding. At any meeting of Trust Unitholders, any Trust Unitholder entitled to vote thereat may vote by proxy and a proxy holder need not be a Unitholder. Only Trust Unitholders of record will be entitled to vote and each Trust Unit will entitle the holder or holders thereof to one vote on a poll.

(6) *Auditors, Registrar and Transfer Agent*

The Trustees or such other person as the Trustees may designate by notice in writing to the Trust Unitholders will be responsible for the maintenance of the Register of Trust Unitholders, record keeping, register management, Trust Unit transaction and similar services. The fiscal year end of the Trust is December 31. The auditor of the Trust is DMCL LLP.

(7) *Trustee Conflicts*

David Gens, the sole Trustee of the Trust, is also a director, officer and indirect shareholder of the General Partner, and is a director, officer and indirect controlling shareholder of Merchant Growth and in holding both positions may be in a conflict between the Trust and the Partnership, on the one hand, and Merchant Growth on the other hand. The Trustee has disclosed the potential for conflict to the Trust.

**For further information on terms contained in the Declaration of Trust which affect the rights of Trust Unitholders refer directly to the Declaration of Trust, a copy of which may be obtained from the Trust.**

**(III) Merchant Asset Financing Credit Agreement**

has made available a credit facility to Merchant Asset Financing dated December 31, 2018, as amended, which shall not exceed \$20,000,000, of which \$4,240,747 was owing as at September 30, 2024, however, this facility balance is currently provisioned on the Partnership's financial statements, resulting in a net carrying balance of \$329,106. This facility was assigned to Merchant Canada on October 1, 2024. Interest accrues at the rate of 5% per annum, and the term is one year, with automatic one-year renewals, unless Merchant Canada provides Merchant Asset Financing with an amortization notice, in which case the credit facility will begin to amortize on the date that is three months from the date of the amortization notice and on such date the credit facility will be converted into a six-month term loan. Merchant Canada has a security interest over all of Merchant Asset Financing's present and after acquired assets. Merchant Asset Financing is a company controlled by Merchant Growth, and under common control with the Partnership. In June 2020, following the COVID-19 pandemic, management determined there was a material decrease in the estimated recovery value of the repossessed equipment assets of Merchant Asset Financing. As part of its risk management strategy, the senior debt of Merchant Asset Financing was refinanced, the senior secured position on Merchant Asset Financing's assets was provided, and the parties lowered the contractual interest rate to 5% to better reflect recoverable interest.

**(IV) Services Agreement**

The Partnership has entered into a Services Agreement with Merchant Growth dated July 1, 2019 (the "**Services Agreement**") whereby Merchant Growth has agreed to provide the services related to operating the business of the Partnership, which includes origination, underwriting and portfolio servicing of the Partnership's book of receivable purchase agreements and loans. The Services Agreement was assigned by the Partnership to Merchant Canada on October 1, 2024. The term of the Services Agreement is 3 years and shall renew automatically for successive 1-year terms unless terminated in accordance with the terms of the agreement. Under the Services Agreement Merchant Canada has agreed to pay Merchant Growth a portfolio origination fee of 5.5% of cash collections, and a portfolio servicing fee of 1% of cash collections from Merchant Canada's portfolio of receivable purchase agreements and small business loans outstanding, with all fees being

inclusive of taxes, if applicable (collectively, the “**Services Fee**”). In addition, Merchant Canada shall be required to pay for any and all commissions payable in connection with originating specific receivable purchase agreements and small business loans. In the case of commissions payable to Merchant Growth, such commissions will be payable at the standard commission schedule as paid by Merchant Canada to third party originators. As of December 31, 2022, the Partnership paid \$4,465,464 in Services Fees and \$1,312,145 in origination commissions to Merchant Growth for fiscal 2022, and as of December 31, 2023 the Partnership has paid \$7,641,032 in Services Fees and \$1,949,424 in origination commissions to Merchant Growth for fiscal 2023. The Partnership paid \$7,653,714 in Services Fees and \$2,770,728 in origination commissions to Merchant Growth between January 1, 2024 to September, 2024. As of September 30, 2024 Merchant Canada has not yet made a payment to Merchant Growth following the assignment.

#### **(V) Funding Agreement**

On January 9<sup>th</sup>, 2020 the Trust, the General Partner, and the Partnership entered into the Funding Agreement which provides that the General Partner will pay all costs associated with formation, maintenance, capital raises and any other costs of the Trust other than costs associated with the annual audit of the Trust, which shall be covered by the Partnership. In the event that the Manager bears any of the aforementioned costs, the General Partner will reimburse the Manager for such costs.

#### **(VI) Inter-Group Debt**

As set out in the Partnership Agreement, the Partnership may cause its subsidiary, Merchant Canada, to lend the Inter-Group Debt to:

- (a) Retired General Partner for the purpose of covering the cost of certain general corporate expenses and capital costs incurred by the Retired General Partner in relation to management or operations, up to the aggregate amount equal to the lower of: (i) 12% of the trailing twelve months of Retired General Partner originations funded by the Partnership; or (ii) 6% of the trailing twenty-four months of Retired General Partner originations funded by the Partnership; and
- (b) the General Partner for the purpose of covering the cost of certain general corporate expenses incurred by the General Partner in relation to fundraising, management, or operations in an amount up to \$500,000.

Merchant Canada may call the Inter-Group Debt upon demand. Upon receipt of a call notice, the Inter-Group Debt shall be repayable and amortize over a three-year term. The Inter-Group Debt may be repaid or prepaid at any time without penalty. The Inter-Group Debt shall be evidenced by a promissory note or facility agreement and bears interest at the rate of at least 10% per annum. As of September 30, 2024 the Inter-Group Debt owing from the Retired General Partner was \$0 and the Inter-Group Debt owing from the General Partner was \$192,867.

#### **(VII) Class C Preferred Shares**

Certain subsidiaries and assets used in connection with the operations of the Partnership Purpose as it existed prior to July 1, 2019 were transferred to Merchant Growth in exchange for 1,455,776 redeemable, retractable Class C preferred shares of Merchant Growth with a redemption amount determined and declared to be \$1,455,776 (the “**Class C Preferred Shares**”). The Class C Preferred Shares are entitled to a non-cumulative dividend at the rate of 4% per annum which shall be paid in preference and priority to any payment of dividends on the common shares of Merchant Growth.

#### **(VIII) BMO Credit Agreement**

On November 23, 2020 the Partnership established the BMO Credit Agreement with BMO, as amended initially provided the Partnership with a \$15 million funding commitment with a \$12.5 million accordion. The accordion was exercised on July 8, 2022, providing the Partnership with access to \$27 million. On November 18, 2022, the commitment was increased to \$40,000,000. On August 21, 2023, a syndicate partner was added to the facility and the commitment was increased to \$70 million along with a \$30 million accordion. On January 11, 2024, a second syndicate partner was added and the commitment was increased to \$100 million with a \$30 million accordion for a two-year term. In September of 2024, the BMO Credit Agreement was amended so that Merchant Canada become the borrower, and the Partnership and each of the Partnership's subsidiaries became guarantors to the BMO Credit Agreement.

The BMO Credit agreement requires monthly interest payments at either the Adjusted Term CORRA or Adjusted Term SOFR Spread plus 3.4% per annum, or the Bank of Montreal prime loan rate plus 1.9% per annum. The facility requires a standby fee be paid quarterly on undrawn facility amounts at a rate of 0.50% per annum. The loan is secured by the assets of the Merchant Canada and the assets of the Partnership and each of the other guarantors. As at September 30, 2024 \$44,454,586 was drawn against the facility.

#### **(IX) Learn Now Pay Later**

On February 16, 2022 the Partnership entered into a loan purchase agreement, as amended and restated on December 1, 2022, as further amended and restated on May 15, 2023 and as further amended and restated on April 4, 2024 with the LNPL Lender providing financing to consumers who wish to purchase digital courses. This loan purchase agreement was assigned by the Partnership to Merchant Canada, on October 1, 2024. Merchant Canada has agreed to purchase up to \$30,000,000 in loans originated by the LNPL Lender. The loan purchase agreement includes one accordion which could increase the aggregate amount of loans purchased to \$40,000,000. On April 2, 2024 a portion of the loans originated by the LNPL Lender were syndicated in order to continue to ensure that the Partnership meets the growth needs of the LNPL Lender. The LNPL Lender has been designated as servicer under the purchase program and has the responsibility for administering, servicing and collecting the amounts of the purchased loans as agent for Merchant Canada. In the event that the LNPL Lender is in breach of the purchase program, Merchant Canada has the right to appoint a replacement servicer who will have the responsibility for administering, servicing and collecting the amounts of the purchased loans as agent for Merchant Canada. As at September 30, 2024 \$13,014,491 in loans were purchased from the LNPL Lender.

#### **(X) HVAC**

On July 1, 2022 the Partnership entered into the HVAC Facility with the HVAC Group as amended on February 15, 2023, and as amended on April 29, 2024, which was then assigned by the Partnership to Merchant Canada on October 1, 2024. The HVAC Facility is partially syndicated as per the Master Participation Agreement dated July 4, 2022. The HVAC Facility was established in order to support the HVAC Group's purchases of qualifying asset portfolios up to a maximum aggregate amount equal to \$20,000,000. Interest accrues at the rate of 15%. The term is 12 months, with automatic renewals for additional 12-month terms. The HVAC Group shall make monthly payments of interest and principal based on a 36-month amortization schedule for each draw under the HVAC Facility. The Partnership's security package includes a security interest over all of the HVAC Group's present and after acquired property, corporate guarantees, personal guarantees, a securities pledge and a blocked account agreement covering the HVAC Group's bank account. As at September 30, 2024 \$3,338,815 is owed under the HVAC Facility.

#### **(XI) US Loan Originator**

On June 27, 2023 Merchant USA, entered into a Master Purchase Transaction and Servicing Agreement with a US originator of receivables. The US originator notifies the Partnership of small businesses seeking funding, following which the Partnership completes an internal underwrite of the opportunities provided. If acceptable to the Partnership, the US originator will complete the transaction on behalf of the Partnership. The US originator has been designated as servicer under the purchase program and has the responsibility for administering, servicing and collecting amounts owing as agent for the Partnership. In the event that the US originator is in breach of the purchase program, a backup servicer may be appointed who will have the responsibility for administering, servicing and collecting the amounts owing. As at September 30, 2024 Merchant USA is owed CDN\$15,360,398 in receivables purchased pursuant to this program.

#### **(XI) Management Agreement**

In order to set out the duties of the Manager, the Partnership has entered into a management agreement (the “**Management Agreement**”) with the Manager dated as of June 19, 2024.

Pursuant to the Management Agreement, the Manager shall direct the affairs and manage the business of the Trust and Partnership, and administer or arrange for the administration of the day-to-day operations of Trust and the Partnership on a continuing basis.

The Manager is entitled to reimbursement for any expenses incurred by the Manager in the provision of management services to the Trust and the Partnership.

The Manager shall exercise the powers and discharge its duties under the Management Agreement honestly, in good faith and in the best interests of the Partnership and the Trust and shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. Provided that the Manager is not exercising its powers or discharging its duties in a manner contrary to the standard set out in the preceding sentence, the Manager shall not be liable for: (a) the adoption or implementation of any investment program or policy or the purchase, sale or retention of any security or other property, the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Trust or Partnership may be paid out or invested, or any diminution in the net asset value of the Trust or Partnership; (b) the misconduct of any person, firm or corporation employed or engaged by the Manager, other than the Manager; (c) the Manager’s reliance and acting in accordance with any statement, report, opinion or advice furnished by any agent, representative, employee, independent contractor or other person acting on behalf of the Trust or the Partnership on behalf of the Manager that is within the professional competence of the person furnishing the same, or the Manager's omission to act in accordance therewith; (d) any action taken or thing suffered by the Manager in reliance upon any notice, resolution, direction, consent, certificate, affidavit, statement or other paper or document believed by it to be genuine and to have been passed, sealed or signed by proper parties; or (e) any error in judgment on the part of the Manager.

Pursuant to the Management Agreement, the Manager and its affiliates, and their respective directors, officers, employees and agents will at all times be indemnified and saved harmless by the Trust and the Partnership from and against all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties, and from and against all other costs, charges and expenses which it actually and reasonably incurs in or about or in relation to the affairs of the Trust and the Partnership, if: (a) those claims, costs, charges or expenses were not caused or incurred as a result of a breach the standard of care; and (b) the Trust and the Partnership have reasonable grounds to believe that the action or inaction that caused those claims or the payment of those costs, charges or expenses was in the best interest of the Trust and the Partnership.

The Management Agreement may be terminated by either the Partnership, the Trust or the Manager on 60 days' notice, or immediately if a party ceases to carry on business, upon the insolvency or bankruptcy of the of a party or if a party commits a material breach under the Management Agreement.

#### **(XI) Fee Sharing Agreement**

The Partnership entered into a services agreement with effect as of January 1, 2024 with Merchant USA to provide certain portfolio management services to Merchant USA. As part of this arrangement, the Partnership entered into a Fee Sharing Agreement whereby the Partnership fees collected are partially payable to Merchant Opportunities Fund International Ltd. related to the assets of Merchant Opportunities Fund International Limited Partnership<sup>5</sup> that are controlled by Merchant USA. The fee payable to Merchant Opportunities Fund International Ltd. decreases, on a dollar for dollar basis, the management payable to Merchant Opportunities Fund International Ltd. from Merchant Opportunities Fund International Limited Partnership. As of September 30, 2024, no fees have been paid to Merchant Opportunities Fund International Ltd.

### **Item 3 Compensation and Security Holdings of Certain Parties**

#### **3.1 Compensation and Securities Held**

The following table sets out information about the Trustee and each director and officer of the General Partner, Manager, each promoter of the Trust and the Partnership, and each person who directly or indirectly beneficially owns or controls 10% or more of the Units of the Trust or the Partnership.

<b>Name and municipality of principal residence</b>	<b>Positions held and the date of obtaining the position</b>	<b>Compensation paid by the Issuers in the most recently completed financial year and the compensation anticipated to be paid in the current financial year</b>	<b>Number, type and percentage of securities of the Issuer held after completion of min. offering (Units held as of September 30, 2024)</b>	<b>Number, type and percentage of securities held after completion of max. offering</b>
David Gens <sup>6</sup> West Vancouver, British Columbia	Director, Managing Partner and CEO of the General Partner (as of July 1, 2019), Director and Ultimate Designated Person of the Manager (as of June 19, 2024), Trustee of the Trust (as of January 9, 2020), Promoter of the Partnership (as of March 31, 2010), and	Nil.	327,726 Units of the Partnership and 173 Trust Units of the Partnership representing, 3.33% of the securities issued by the Partnership. <sup>7</sup>	327,726 Units of the Partnership and 173 Trust Units of the Partnership representing, 3.33% of the securities issued by the Partnership. <sup>8</sup>

<sup>5</sup> Merchant Opportunities Fund International Limited Partnership is a parallel fund under common control with the Partnership established for the sole purpose of allowing non-Canadian investors access to investments of the Partnership.

<sup>6</sup> Securities are held through a controlled entity

<sup>7</sup> Securities are held through a controlled entity.

<sup>8</sup> Securities are held through a controlled entity.



Name and municipality of principal residence	Positions held and the date of obtaining the position	Compensation paid by the Issuers in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer held after completion of min. offering (Units held as of September 30, 2024)	Number, type and percentage of securities held after completion of max. offering
	Promoter of the Trust (as of November, 2019).			
Aaron Lightman Kelowna, British Columbia	Managing Partner of the General Partner (as of July 1, 2019) and Chief Compliance Officer of the Manager as of (June 19, 2024).	Nil.	39,594 Units of the Partnership and 5,166 Trust Units of the Partnership representing, 0.46% of the securities issued by the Partnership. <sup>5</sup>	39,594 Units of the Partnership and 5,166 Trust Units of the Partnership representing, 0.46% of the securities issued by the Partnership. <sup>5</sup>
Peleg Bartfeld Victoria, British Columbia	Managing Partner of the General Partner (as of July 1, 2019) and Portfolio Manager of the Manager (as of June 19, 2024)	Nil.	13,255 Trust Units representing, 0.14% of the securities issued by the Partnership.	13,255 Trust Units representing, 0.14% of the securities issued by the Partnership.
Kelly Klatik Richmond, British Columbia	Director of the General Partner (as of July 1, 2019).	Nil.	797,259 Units of the Partnership and 7,086 Trust Units of the Partnership representing, 8.19% of the securities issued by the Partnership. <sup>5</sup>	797,259 Units of the Partnership and 7,086 Trust Units of the Partnership representing, 8.19% of the securities issued by the Partnership. <sup>5</sup>
Cody Green Kaleden, British Columbia	Director of the General Partner (as of July 1, 2019).	Nil.	481,046 Units of the Partnership and 346 Trust Units of the Partnership representing, 4.90% of the securities issued by the Partnership. <sup>5</sup>	481,046 Units of the Partnership and 346 Trust Units of the Partnership representing, 4.90% of the securities issued by the Partnership. <sup>5</sup>

Name and municipality of principal residence	Positions held and the date of obtaining the position	Compensation paid by the Issuers in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer held after completion of min. offering (Units held as of September 30, 2024)	Number, type and percentage of securities held after completion of max. offering
Kevin Sandhu West Vancouver, British Columbia	Director of the General Partner (as of August 21, 2020).	Nil.	11,606 Units of the Partnership and 4,352 Trust Units representing, 0.16% of the securities issued by the Partnership.	11,606 Units of the Partnership and 4,352 Trust Units representing, 0.16% of the securities issued by the Partnership.
Dimitri Kosturos Langley, British Columbia	Director of the General Partner (as of July 1, 2019).	Nil.	8,280 Units of the Partnership and 870 Trust Units representing, 0.09% of the securities issued by the Partnership. <sup>5</sup>	8,280 Units of the Partnership and 870 Trust Units representing, 0.09% of the securities issued by the Partnership. <sup>5</sup>
Merchant Opportunities Fund Ltd.  Vancouver, British Columbia	General Partner of the Partnership	\$872,370 was paid by the Partnership in 2023.  \$1,106,000 is anticipated to be paid by the Partnership in 2024.	1 Unit of the Partnership representing, 0% of the securities issued by the Partnership.	1 Unit of the Partnership representing, 0% of the securities issued by the Partnership.
Merchant Growth Ltd. <sup>9</sup>  Vancouver, British Columbia	Promoter (as of July 1, 2019).	\$10,946,999 was paid by the Partnership in 2023. <sup>10</sup>  \$18,203,850 is anticipated to be paid by the Partnership in 2024.	Nil.	Nil.

<sup>9</sup> Merchant Growth was the general partner of the Partnership from inception of the Partnership until July 1, 2019.

<sup>10</sup> For the period beginning on January 1, 2023, until December 31, 2023, Merchant Growth was paid \$10,947,000 of which included an Asset Management Fee equal to \$587,936, the Services Fee equal to \$7,586,983 and an origination commission equal to \$1,949,424, and net income allocation of \$822,656. For a description of the Asset Management Fee, the Services Fee, the origination commission and net income allocation, see item 2.7, "Material Agreements".

Name and municipality of principal residence	Positions held and the date of obtaining the position	Compensation paid by the Issuers in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Issuer held after completion of min. offering (Units held as of September 30, 2024)	Number, type and percentage of securities held after completion of max. offering
Dale Harrison Vancouver, British Columbia	Principal unitholder of the Partnership, as of September 30, 2019.	Nil.	1,203,665 Units of the Partnership representing, 12.26% of the securities issued by the Partnership.	1,203,665 Units of the Partnership representing, 12.26% of the securities issued by the Partnership.
1300876 BC Ltd. Vancouver, British Columbia	Principal unitholder of the Partnership, as of May 20, 2021.	Nil.	995,529 Units of the Partnership representing, 10.14% of the securities issued by the Partnership.	995,529 Units of the Partnership representing, 10.14% of the securities issued by the Partnership.
Merchant Opportunities Fund Services Ltd.  Vancouver, British Columbia	Promoter (as of June 19, 2024)	Nil.	Nil.	Nil.

### 3.2 *Management Experience*

Name	Principal occupation and related experience
David Gens, Director, and Managing Partner of the General Partner, Director and Ultimate Designated Person of Merchant Services, Director and CEO of Merchant Growth, and Trustee of the Trust	David Gens is the founder of the Partnership and Merchant Growth. David acts as CEO and Managing Partner of the General Partner, and CEO and Director of Merchant Growth. David has acted in these capacities for the last ten years. David also acts as the Trustee of the Trust and Director and Ultimate Designated Person of Merchant Services Prior to this, David Gens was an analyst with CAI Capital Management Co., a New York based private equity firm focused on mid-market transactions in Canada and the United States. David holds a Bachelor of Commerce in Finance from the University of British Columbia where he graduated with honours and was a member of UBC's Portfolio Management Foundation. In 2014, David was named in Business in Vancouver's Top 40 Under 40, and in 2015 he was named in BCBusiness Magazine's Top 30 Under 30. In 2016 and 2018, David was a finalist in the prestigious EY Entrepreneur of the Year.

Name	Principal occupation and related experience
Peleg Bartfeld, Managing Partner of the General Partner, Portfolio Manager of Merchant Services, and President & Chief Financial Officer of Merchant Growth	Peleg Bartfeld is a Managing Partner of the General Partner and the President & Chief Financial Officer of Merchant Growth. Peleg acts as Portfolio Manager of Merchant Services. From 2008 to 2017, Peleg had progressively more senior roles on the Canadian Equity team at RBC Global Asset Management, finishing as a senior analyst and associate portfolio manager. In 2013, Peleg obtained the designation of Chartered Financial Analyst. Peleg holds a Bachelor of Commerce in Finance from the University of British Columbia where he graduated with honours and was a member of UBC's Portfolio Management Foundation.
Aaron Lightman, Managing Partner of the General Partner, Chief Compliance Officer of Merchant Services and Chief Legal Officer of Merchant Growth	Aaron Lightman is a Managing Partner of the General Partner and the Chief Legal Officer of Merchant Growth. Aaron acts as Chief Compliance Officer of Merchant Services. Aaron is a business lawyer called in the province of British Columbia and most recently practiced business law with Mogan Daniels Slager LLP specializing in M&A, finance and commercial law. Aaron was called to the British Columbia Bar in 2009 after receiving his Juris Doctor from the University of Alberta in 2008. Aaron also holds a Bachelor of Arts in Economics, graduating with honours from Simon Fraser University.
Kelly Klatik, Director of the General Partner and Merchant Growth	Kelly Klatik is a director of the General Partner and Merchant Growth. Kelly is also the Managing Partner at Cypress Hills Partners, which he co-founded in 2014. Cypress Hills specializes in the origination of specialty private debt, asset backed lending, private equity, and other uniquely structured financial products. Kelly has over 27 years of experience in the investment banking and alternative asset sectors. Prior to founding Cypress Hills, Kelly served for 4 years as CEO and co-founder of Falco Resources Ltd., an alternative asset/natural resource based company listed on the TSX-V. Before this, Kelly spent over a decade as Director, Investment Banking at M Partners and Vice President of Equity Capital Markets for Investment Planning Counsel, part of the Montreal based Power Financial Group. Kelly obtained a Bachelor of Commerce in Accounting from the University of Saskatchewan in 1992, a Master of Business Administration from Royal Roads University in 2005 and earned the Institute of Corporate Directors designation from Rotman School of Business in 2014.
Cody Green, Director of the General Partner and Merchant Growth	Cody Green is a director of the General Partner and Merchant Growth. Cody founded Canada Drives Ltd. in 2010 and serves as Co-CEO. Canada Drives is a financial technology company that allows consumers to access a variety of financial products online. Cody attended the University of British Columbia Okanagan where he obtained his Bachelor of Business Administration in Marketing. Cody was recognized as the 2016 EY Entrepreneur of the Year for Fintech (Pacific) and recognized by Caldwell Partners in 2017 as Canada's Top 40 under 40.
Kevin Sandhu, Director of the General Partner and Merchant Growth	Kevin Sandhu is a director of the General Partner and Merchant Growth. Kevin is a Chairperson and CEO at Sand Castle Capital Inc., a private investment firm and holding company. Kevin is also an Entrepreneur in Residence at Rhino Ventures, an early stage venture capital fund based in Vancouver B.C. In 2014, Kevin founded, and was CEO of Grow Technologies Inc., an enterprise software company which empowered innovation using technology and data analytics. Kevin led Grow Technologies Inc. to become one of Canada's leading enterprise fintech

Name	Principal occupation and related experience
	providers before successfully exiting to ATB Financial in 2019. Before this Kevin spent 10 years working in investment banking and private equity. Kevin holds the designation of Chartered Financial Analyst. Kevin obtained his Bachelors in Business Administration in Finance and Math with First Class Honours from Simon Fraser University.
Dimitri Kosturos, Director of the General Partner and Merchant Growth	Dimitri Kosturos is a director of the General Partner and Merchant Growth. Dimitri is also the Chief Operating Officer of VWR Capital Corp. VWR Capital Corp. provides private first, second, and third mortgages on residential real estate. Dimitri graduated with honors from California State University, Los Angeles with a Bachelor of Science degree in Computer Science. Dimitri completed the UBC Sauder School of Business sub-mortgage broker licensing course and is a registered sub-mortgage broker in BC. Dimitri is a member of the Mortgage Brokers Association of BC and a corporate member of Mortgage Professionals Canada.

### 3.3 *Penalties, Sanctions and Bankruptcy*

There are no penalties, sanctions or cease trade orders that have been in effect during the last 10 years against:

- (a) a director, senior officer or control person of the Trust, Trustee, General Partner, Merchant Services or the Partnership, or
- (b) an issuer of which a person or company referred to in (a) above was a director, senior officer or control person at the time, and

nor have any such persons during the last 10 years made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation or entered into any proceedings, arrangement or compromise with creditors or appointed a receiver, receiver-manager or trustee to hold assets, except for Cody Green.

Mr. Green is a director and executive officer of 1195407 B.C. Ltd., Canada Drives Ltd., USA Drives Ltd., and Canada Drives Auto Finance Ltd. (the “**Canada Drives Group**”) and on March 30, 2023, the Canada Drives Group began a proceeding pursuant to the Companies Creditors Arrangement Act.

### 3.4 *Loans*

The Trust does not have any loans or debt due.

The Partnership has the following loans due from directors, management, promoters and/or principal holders as of September 30, 2024: \$192,867 from the General Partner pursuant to a promissory note dated October 15, 2019 (the “**Promissory Note**”). The Promissory Note is repayable upon demand at any time after October 16, 2020 and interest accrues at the rate of 10% per annum. This loan is being used for costs related to securities registration with securities regulatory authorities - see item 2.7, “*Material Agreements – (XI) Inter-Group Debt*”.

**Item 4 Capital Structure****4.1 Share Capital**

Description of security	Number authorized to be issued	Price per security (based on recent Net Asset Value per Unit October 29, 2024)	Number outstanding as at the date of this Offering Memorandum	Number outstanding after min. offering	Number outstanding after max. offering
Class 1 Trust Units	Unlimited	\$8.35	29,681	29,681	29,681
Class 2 Trust Units	Unlimited	\$8.35	772,426	772,426	Number will depend on split between Partnership Units and Trust Units issued.
Class F.T. Trust Units	Unlimited	\$8.35	103,993	103,993	Number will depend on split between Partnership Units and Trust Units issued.
Class I.T. Trust Units	Unlimited	\$8.35	523,542	523,542	Number will depend on split between Partnership Units and Trust Units issued.
Class A Units	Unlimited	\$8.35	64,779	64,779	64,779
Class B Units	Unlimited	\$8.35	1,748,461	1,748,461	1,748,461
Class C Units	Unlimited	\$8.35	5,047,286	5,047,286	Number will depend on split between Partnership Units and Trust Units issued.
Class F Units	Unlimited	\$8.35	2,346,653	2,346,653	Number will depend on split between Partnership Units and Trust Units issued.
Class I Units	Unlimited	\$8.35	1,513,779	1,513,779	Number will depend on split between Partnership Units and Trust Units issued.

**4.2 Long-Term Debt**

Description of long-term debt	Interest Rate	Repayment terms	Amount Outstanding at September 30, 2024
BMO Credit Agreement – see item 2.7, “Material Agreements – (XIV) Credit Agreement”	Adjusted Term CORRA or Adjusted Term SOFR Spread plus 3.4% per annum, or the Bank of Montreal Canadian dollar prime rate rate or U.S. dollar base rate margin plus 1.9% per annum.	Matures on January 11, 2026	\$44,454,586

### 4.3 *Prior Sales*

The following table lists all of the securities issued by the Issuers within the last 12 months:

October 30, 2023	Trust Unit – Class 1	573	\$8.47	\$4,853.31
October 30, 2023	Trust Unit – Class 2	13,273	\$8.17	\$108,440.41
October 30, 2023	Trust Unit – Class F.T.	649	\$8.37	\$5,432.13
October 30, 2023	Trust Unit – Class I.T.	402	\$8.50	\$3,417.00
October 30, 2023	Partnership Unit – Class A	789	\$8.47	\$6,682.83
October 30, 2023	Partnership Unit – Class B	15,972	\$8.47	\$135,282.84
October 30, 2023	Partnership Unit – Class C	80,219	\$8.17	\$655,389.23
October 30, 2023	Partnership Unit – Class F	13,638	\$8.37	\$114,151.86
October 30, 2023	Partnership Unit – Class I	1,286	\$8.50	\$10,931.00
November 3, 2023	Partnership Unit – Class C	1,378	\$8.17	\$11,258.26
November 3, 2023	Trust Unit – Class 2	155	\$8.17	\$1,266.35
December 4, 2023	Partnership Unit – Class F	2,591	\$8.43	\$21,842.13
December 6, 2023	Partnership Unit – Class C	729	\$8.23	\$5,999.67
December 6, 2023	Trust Unit – Class 2	729	\$8.23	\$5,999.67
December 12, 2023	Partnership Unit – Class C	12,150	\$8.23	\$99,994.50
December 13, 2023	Trust Unit – Class 2	1,216	\$8.23	\$10,007.68
December 13, 2023	Partnership Unit – Class C	1,216	\$8.23	\$10,007.68
January 10, 2024	Trust Unit – Class 2	12,763	\$8.30	\$105,932.90
January 10, 2024	Partnership Unit – Class C	12,763	\$8.30	\$105,932.90
January 16, 2024	Trust Unit – Class 2	843	\$8.30	\$6,996.90
January 16, 2024	Partnership Unit – Class C	843	\$8.30	\$6,996.90
January 17, 2024	Partnership Unit – Class C	60,241	\$8.30	\$500,000.30
January 26, 2024	Trust Unit – Class 2	843	\$8.30	\$6,996.90
January 26, 2024	Partnership Unit – Class C	843	\$8.30	\$6,996.90
January 30, 2024	Trust Unit – Class 1	580	\$8.53	\$4,947.40
January 30, 2024	Trust Unit – Class 2	13,823	\$8.21	\$113,486.83
January 30, 2024	Trust Unit – Class F.T.	657	\$8.43	\$5,538.51
January 30, 2024	Trust Unit – Class I.T.	405	\$8.62	\$3,491.10



January 30, 2024	Partnership Unit – Class A	799	\$8.53	\$6,815.47
January 30, 2024	Partnership Unit – Class B	15,942	\$8.53	\$135,985.26
January 30, 2024	Partnership Unit – Class C	85,312	\$8.21	\$700,411.52
January 30, 2024	Partnership Unit – Class F	13,868	\$628.43	\$116,907.21
January 30, 2024	Partnership Unit – Class I	1,091	\$8.62	\$9,404.42
February 2, 2024	Trust Unit – Class F.T.	270	\$8.43	\$2,276.10
February 2, 2024	Partnership Unit – Class F	270	\$8.43	\$2,276.10
February 15, 2024	Trust Unit – Class I.T.	1,937	\$8.62	\$16,696.94
February 15, 2024	Partnership Unit – Class I	1,937	\$8.62	\$16,696.94
February 16, 2024	Trust Unit – Class 2	21,073	\$8.21	\$173,009.33
February 16, 2024	Partnership Unit – Class C	21,073	\$8.21	\$173,009.33
February 21, 2024	Partnership Unit – Class C	6,090	\$8.21	\$49,998.90
February 26, 2024	Partnership Unit – Class C	1,826	\$8.21	\$14,991.46
February 26, 2024	Partnership Unit – Class C	604	\$8.28	\$5,001.12
February 29, 2024	Partnership Unit – Class I	114,943	\$8.70	\$1,000,004.10
February 29, 2024	Partnership Unit – Class I	58,005	\$8.62	\$500,003.10
February 29, 2024	Trust Unit – Class 2	9,571	\$8.28	\$79,247.88
February 29, 2024	Partnership Unit – Class C	9,571	\$8.28	\$79,247.88
March 1, 2024	Partnership Unit – Class I	252,874	\$8.70	\$2,200,003.80
March 6, 2024	Trust Unit – Class 2	1,144	\$8.28	\$9,472.32
March 6, 2024	Partnership Unit – Class C	1,144	\$8.28	\$9,472.32
March 12, 2024	Partnership Unit – Class I	234,560	\$8.70	\$2,040,672.00
March 12, 2024	Trust Unit – Class I.T.	148,353	\$8.70	\$1,290,671.10
March 13, 2024	Partnership Unit – Class F	588,236	\$8.50	\$5,000,006.00
March 13, 2024	Partnership Unit – Class I	275,862	\$8.70	\$2,399,999.40
March 14, 2024	Partnership Unit – Class C	18,116	\$8.28	\$150,000.48
March 15, 2024	Partnership Unit – Class C	2,416	\$8.28	\$20,004.48
March 15, 2024	Partnership Unit – Class I	63,792	\$8.70	\$554,990.40

March 15, 2024	Trust Unit – Class I.T.	63,792	\$8.70	\$554,990.40
March 19, 2024	Partnership Unit – Class I	57,472	\$8.70	\$500,006.40
March 19, 2024	Trust Unit – Class 2	3,019	\$8.28	\$24,997.32
March 19, 2024	Partnership Unit – Class C	3,019	\$8.28	\$24,997.32
March 22, 2024	Partnership Unit – Class I	57,472	\$8.70	\$500,006.40
April 2, 2024	Trust Unit – Class F.T.	2,704	\$8.57	\$23,170.90
April 2, 2024	Partnership Unit – Class F	2,766	\$8.57	\$23,702.24
April 5, 2024	Trust Unit – Class I.T.	166,017	\$8.72	\$1,447,668.24
April 5, 2024	Partnership Unit – Class I	166,017	\$8.72	\$1,447,668.24
April 10, 2024	Trust Unit – Class I.T.	18,366	\$8.72	\$160,151.52
April 10, 2024	Partnership Unit – Class I	18,366	\$8.72	\$160,151.52
April 22, 2024	Trust Unit – Class I.T.	57,339	\$8.72	\$502,863.03
April 22, 2024	Partnership Unit – Class I	57,339	\$8.72	\$502,863.03
April 26, 2024	Trust Unit – Class 2	16,428	\$8.23	\$135,202.44
April 26, 2024	Trust Unit – Class F.T.	1,697	\$8.23	\$13,966.31
April 26, 2024	Trust Unit – Class I.T.	30,643	\$8.24	\$252,498.32
April 26, 2024	Partnership Unit – Class C	120,918	\$8.23	\$995,155.14
April 26, 2024	Partnership Unit – Class F	65,824	\$8.23	\$541,727.48
April 26, 2024	Partnership Unit – Class I	67,479	\$8.24	\$556,026.96
April 30, 2024	Partnership Unit – Class I	1,214	\$8.24	\$10,003.36
May 2, 2024	Trust Unit – Class 2	73	\$8.23	\$600.79
May 2, 2024	Partnership Unit – Class C	73	\$8.23	\$600.79
May 24, 2024	Partnership Unit – Class C	12,034	\$8.31	\$100,002.54
May 28, 2024	Trust Unit – Class 2	2,026	\$8.31	\$16,836.06
May 28, 2024	Partnership Unit – Class C	2,026	\$8.31	\$16,836.06
June 4, 2024	Trust Unit – Class F.T.	400	\$8.32	\$3,328.00
June 4, 2024	Partnership Unit – Class F	95,334	\$8.32	\$793,180.80
June 19, 2024	Partnership Unit – Class C	13,126	\$8.38	\$109,995.88

June 25, 2024	Partnership Unit – Class C	32,824	\$8.38	\$275,065.12
June 25, 2024	Trust Unit – Class 2	169	\$8.32	\$1,416.22
June 25, 2025	Partnership Unit – Class I	61,169	\$8.42	\$515,042.98
June 28, 2024	Trust Unit – Class 2	1,431	\$8.38	\$11,991.78
June 28, 2024	Partnership Unit – Class C	1,431	\$8.38	\$11,991.78
July 18, 2024	Partnership Unit – Class C	70,922	\$8.46	\$600,000.12
July 22, 2024	Partnership Unit – Class C	591	\$8.46	\$4,999.86
July 24, 2024	Trust Unit – Class 2	14,184	\$8.46	\$119,996.64
July 24, 2024	Partnership Unit – Class C	14,184	\$8.46	\$119,996.64
July 25, 2024	Partnership Unit – Class C	1,791	\$8.38	\$15,008.58
July 26, 2024	Trust Unit – Class 2	15,701	\$8.29	\$130,161.29
July 26, 2024	Trust Unit – Class F.T.	885	\$8.29	\$7,336.65
July 26, 2024	Trust Unit – Class I.T.	13,786	\$8.29	\$114,285.94
July 26, 2024	Partnership Unit – Class C	94,694	\$8.29	\$785,013.26
July 26, 2024	Partnership Unit – Class F	36,688	\$8.29	\$304,142.47
July 26, 2024	Partnership Unit – Class I	30,471	\$8.29	\$252,604.59
July 31, 2024	Partnership Unit – Class I	1,810	\$8.29	\$15,004.90
August 6, 2024	Partnership Unit – Class C	3,619	\$8.29	\$30,001.51
August 16, 2024	Partnership Unit – Class F	1,006	\$8.43	\$8,480.58
August 29, 2024	Partnership Unit – Class C	107,527	\$8.37	\$900,000.99
August 30, 2024	Partnership Unit – Class C	11,948	\$8.37	\$100,004.76
September 20, 2024	Partnership Unit – Class C	16,096	\$8.45	\$136,011.20
September 23, 2024	Trust Unit – Class 2	7,573	\$8.45	\$63,991.85
September 23, 2024	Partnership Unit – Class C	7,573	\$8.45	\$63,991.85
September 23, 2024	Partnership Unit – Class F	82,645	\$8.47	\$700,003.15
September 24, 2024	Partnership Unit – Class C	59,172	\$8.45	\$500,003.40
September 27, 2024	Trust Unit – Class 2	5,561	\$8.45	\$46,990.45
September 27, 2024	Partnership Unit – Class C	5,561	\$8.45	\$46,990.45

October 2, 2024	Trust Unit – Class F.T.	286	\$8.47	\$2,422.42
October 2, 2024	Partnership Unit – Class F	590,605	\$8.47	\$5,002,422.42
October 21, 2024	Trust Unit – Class 2	1,758	\$8.53	\$14,995.74
October 21, 2024	Partnership Unit – Class C	1,758	\$8.53	\$14,995.74
October 25, 2024	Trust Unit – Class F.T.	11,682	\$8.56	\$99,997.92
October 25, 2024	Partnership Unit – Class F	11,682	\$8.56	\$99,997.92
October 25, 2024	Partnership Unit – Class C	58,617	\$8.53	\$500,003.01
October 28, 2024	Partnership Unit – Class C	11,724	\$8.53	\$100,005.72
October 29, 2024	Trust Unit – Class 2	16,031	\$8.35	\$133,858.85
October 29, 2024	Trust Unit – Class F.T.	2,381	\$8.35	\$19,881.35
October 29, 2024	Trust Unit – Class I.T.	12,875	\$8.35	\$107,506.25
October 29, 2024	Partnership Unit – Class C	100,030	\$8.35	\$835,250.50
October 29, 2024	Partnership Unit – Class F	42,643	\$8.35	\$356,072.04
October 29, 2024	Partnership Unit – Class I	30,426	\$8.35	\$254,057.10
October 30, 2024	Partnership Unit – Class C	59,880	\$8.35	\$499,998.00

## Item 5 Securities Offered

### 5.1 Terms of Securities

#### *The Partnership*

The material terms of the Offered Partnership Units being offered are set out in the Partnership Agreement, the key terms of which are summarized above under item 2.7, “Material Agreements – (I) Partnership Agreement”.

#### *The Trust*

The material terms of the Trust Units being offered are set out in the Trust Declaration, the key terms of which are summarized above under item 2.7, “Material Agreements – (II) Declaration of Trust”.

#### *Redemption*

See section 2.7(I)(1) for a description of the redemption procedures that apply to the Partnership Units and section 2.7(II)(3) for a description of the redemption procedures that apply to the Trust Units.

The Redemption Price per Unit redeemed will be equal to the sum of:

- (a) the net asset value per Unit applicable on the Monthly Redemption Day or Quarterly Redemption Day; plus
- (b) any distributions payable in respect of such Unit as of or prior to the applicable Monthly Redemption Day or Quarterly Redemption Day, less
- (c) a declining amount between 6% and 1% of the Net Asset Value of the Units if the Units are not held for 5 years, unless such reduction is waived by the General Partner.

## 5.2 *Subscription Procedure*

The Manager will determine the terms and conditions of any sale of Units, provided that such terms and conditions do not materially adversely affect the interests of those who are Unitholders at the time of sale of the Units.

You may subscribe for Units by delivering the following documents to the address shown in the Subscription Agreement: (i) a completed and executed Subscription Agreement in the form provided with this Offering Memorandum; (ii) a cheque, wire transfer or money order payable to the Trust or the Partnership in the amount of the subscription price for the Units; (iii) in the case of an investor that is relying on the offering memorandum exemption to purchase Units: a completed and executed Form 45-106F4 – Risk Acknowledgement; if required, a completed and executed Schedule I to Form 45-106F4; if required, a completed and executed Schedule II to Form 45-106F4; and if required, a completed and executed Certificate of Eligible Investor; (iv) in the case of an investor that is relying on the accredited investor exemption to purchase Units, a completed and executed Certificate of Accredited Investor and, if required, a completed and executed Form 45-106F9 – Risk Acknowledgement for Individual Accredited Investors appended to the Certificate of Accredited Investor; and (v) in the case of an investor that is relying on the employee, executive officer, director and consultant exemption, a completed and executed Certificate of Employee, Executive Officer, Director and Consultant. Subscription amounts will be held in trust for two days and you can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd Business Day after you sign the agreement to buy the securities.

**Other than the Manager, neither the Issuers, the Trustee, the General Partner, the Manager nor any their representatives, or affiliates or associates is responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Units having regard to any such investment needs and the objectives of the potential investor. Investors should consult with their own professional advisors.**

## **Item 6      Redemption Requests**

The following table lists all of the securities which have been redeemed by the Issuers for each of the two most recently completed financial years:

Description of security	Date of end of financial year	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year	Number of securities repurchased during the year	Average price paid for the repurchased securities	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
Partnership Unit – Class A	December 31, 2022	0	0	0	N/A	N/A	0
Partnership Unit – Class B	December 31, 2022	0	196,680	165,364	\$8.07	Cash in hand	0
Partnership Unit – Class C	December 31, 2022	0	670,918	670,918	\$7.82	Cash in hand	0
Partnership Unit – Class F	December 31, 2022	0	2,551	2,551	\$7.89	Cash in hand	0
Partnership Unit – Class I	December 31, 2022	0	2,516	2,516	\$8.03	Cash in hand	0
Trust Unit – Class 1	December 31, 2022	0	0	0	N/A	N/A	0
Trust Unit – Class 2	December 31, 2022	0	14,863	14,863	\$7.82	Cash in hand	0
Trust Unit – Class F.T.	December 31, 2022	0	2,551	2,551	\$7.89	Cash in hand	0
Trust Unit – Class I.T.	December 31, 2022	0	0	0	N/A	N/A	0
Partnership Unit – Class A	December 31, 2023	0	7,585	7,585	\$8.42	Cash in hand	0
Partnership Unit – Class B	December 31, 2023	0	93,854	93,854	\$8.38	Cash in hand	0
Partnership Unit – Class C	December 31, 2023	0	317,676	317,676	\$8.16	Cash in hand	0
Partnership Unit – Class F	December 31, 2023	0	72,029	72,029	\$8.33	Cash in hand	0
Partnership Unit – Class I	December 31, 2023	0	14,602	14,602	\$8.62	Cash in hand	0
Trust Unit – Class 1	December 31, 2023	0	7,102	7,102	\$8.06	Cash in hand	0
Trust Unit – Class 2	December 31, 2023	0	13,877	13,877	\$8.15	Cash in hand	0
Trust Unit – Class F.T.	December 31, 2023	0	0	0	N/A	N/A	0
Trust Unit – Class I.T.	December 31, 2023	0	0	0	N/A	N/A	0

The following table lists all of the securities which have been redeemed by the Issuers for the period beginning on January 1, 2024 until October 31, 2024:

Description of security	Date of end of financial year	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year	Number of securities repurchased during the year	Average price paid for the repurchased securities	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
Partnership Unit - Class A	December 31, 2024	0	0	0	N/A	N/A	0
Partnership Unit - Class B	December 31, 2024	0	17,287	17,287	\$8.51	Cash in hand	0
Partnership Unit - Class C	December 31, 2024	0	741,200	741,200	\$8.34	Cash in hand	0
Partnership Unit - Class F	December 31, 2024	0	2,070	2,070	\$8.33	Cash in hand	0
Partnership Unit - Class I	December 31, 2024	0	96,242	96,242	\$8.49	Cash in hand	0
Trust Unit - Class 1	December 31, 2024	0	0	0	N/A	N/A	0
Trust Unit - Class 2	December 31, 2024	0	25,923	25,923	\$8.31	Cash in hand	0
Trust Unit - Class F.T.	December 31, 2024	0	0	0	N/A	N/A	0
Trust Unit - Class I.T.	December 31, 2024	0	10,494	10,494	\$8.46	Cash in hand	0

## Item 7 Tax Consequences and RRSP Eligibility

### 7.1 Income Tax Consequences Relating to the Trust

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

**The stated tax consequences may or may not apply uniformly to all purchasers. All Investors will be responsible for the preparation and filing of their own tax returns in respect of this investment.**

The following summary, as of the date of this Offering Memorandum, describes the principal Canadian federal income tax considerations generally applicable under the Tax Act to a person who acquires Trust Units pursuant to this Offering Memorandum and who, for purposes of the Tax Act, is resident in Canada (or if the person is a partnership, is a “Canadian partnership” for purposes of the Tax Act), deals at arm’s length and is

not affiliated with the Trust or the Trustee and holds the Trust Units as capital property (all for purposes of the Tax Act). Generally, Trust Units will be considered to be capital property to a Trust Unitholder provided that the Trust Unitholder does not hold the Trust Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Trust Unitholders who might not otherwise be considered to hold their Trust Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a Trust Unitholder (i) that is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules), (ii) that is a “specified financial institution” (as defined in the Tax Act), (iii) an interest in which is a “tax shelter investment” (as defined in the Tax Act) or (iv) to whom the functional currency reporting rules in section 261 of the Tax Act apply. In addition, this summary does not address the deductibility of interest by a Trust Unitholder who has borrowed money to acquire Trust Units.

This summary is based upon the facts set out in this Offering Memorandum, the provisions of the Tax Act in force as of the date of hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof by the Minister of Finance (Canada) (“**Tax Proposals**”) and the Trust’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”) publicly available prior to the date of this Offering Memorandum. This summary is not exhaustive of all possible Canadian federal income tax considerations and does not consider or anticipate any changes in the law, other than the Tax Proposals, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not intended to be legal or tax advice to any particular purchaser of Trust Units. Consequently, prospective purchasers should seek independent professional advice regarding the tax consequences of investing in the Trust Units, based upon their own particular circumstances.**

As noted, this summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and non-residents should consult their own tax advisors regarding the tax consequences of acquiring and holding Trust Units. All payments to non-residents of Canada of distributions on the Trust Units will be net of any applicable withholding taxes.

#### ***Status of the Trust – Mutual Fund Trust***

This summary is based on the assumption that the Trust will qualify as a “unit trust” and a “mutual fund trust”, as these terms are defined in the Tax Act, from the beginning of its first taxation year and will thereafter continuously qualify as a unit trust and a mutual fund trust at all relevant times. The qualification of the Trust as a mutual fund trust from the beginning of its first taxation year requires that the Trust elect to be deemed to be a “mutual fund trust” from the date it is established and that certain factual conditions generally be met throughout its existence. The Trust has advised that it intends to make such an election and that the ongoing requirements will be satisfied so that the Trust will so qualify. If the Trust were not to qualify as a mutual fund trust, the income tax considerations described herein would, in some respects, be materially different.

For the Trust to qualify as a mutual fund trust, it must satisfy various requirements, including a requirement that the Trust must not have been established or maintained primarily for the benefit of non-residents of Canada. If at any time this requirement is not satisfied, the Tax Act does not currently provide any means of rectifying a loss of mutual fund trust status. As such if, at any time, the Trust loses its mutual fund trust status because of the application of this provision in the Tax Act, the Trust would permanently cease to be a mutual fund trust.



One of the requirements for the Trust to qualify as a mutual fund trust is that it will have at least 150 separate holders of Trust Units, each holding no less than one block of units (meaning 100 Trust Units if the fair market value of one Trust Unit is less than \$25), with an aggregate value of at least \$500 worth of Trust Units. The Trust may hold Closings of the Trust Offering prior to this requirement being met and there is no guarantee that this requirement will be met. See item 9, "Risk Factors".

This summary also assumes that the Trust will at no time be a "SIFT trust" as defined in the Tax Act. If the Trust is a SIFT trust, then there may be adverse tax consequences. One of the conditions for a trust to be a SIFT trust is that investments in the trust must be listed or traded on a stock exchange or other public market, which includes a trading system or other organized facility on which securities that are qualified for public distribution are listed or traded, but does not include a facility that is operated solely to carry out the issuance of a security or its redemption, acquisition or cancellation by the issuer. The Trust intends that the Trust Units will not be listed or traded on a stock exchange or other public market. Based on this and assuming the Trust Units will not otherwise be listed or traded on such a system or facility, the Trust should not be a SIFT trust.

### *Taxation of the Trust*

The Tax Act requires that the Trust compute its income or loss for a taxation year as though it were an individual resident in Canada. The taxation year of the Trust is the calendar year. In each taxation year, the Trust will be subject to tax under Part I of the Tax Act on its taxable income for the year, including net income allocated to it by the Partnership and net realized taxable capital gains less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Trust Unitholders and is otherwise deductible under the Tax Act. An amount will not be payable to a Trust Unitholder in a taxation year unless the Trust Unitholder is entitled in that year to enforce payment of the amount.

In computing its net income for purposes of the Tax Act, the Trust may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income.

Each year, the Trust intends to make sufficient distributions of its net income for tax purposes and net realized taxable capital gains so that the Trust will generally not be liable in that year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that will be recoverable by the Trust in respect of such year by reason of the capital gains refund mechanism. Losses incurred by the Trust cannot be allocated to Trust Unitholders but may be deducted by the Trust subject to and in accordance with the Tax Act.

In general, if, at any time, the Trust does not qualify as a mutual fund trust and one or more Trust Unitholders are not resident in Canada, the Trust may be required to pay a tax under Part XII.2 of the Tax Act if it allocates certain types of income (including income from real or immovable properties in Canada, other than Canadian resource properties) to a Trust Unitholder.

### *Taxation of the Partnership*

The Partnership is not itself liable for income tax, however, it is required to compute its net income or loss for each of its fiscal periods as if it were a separate person resident in Canada. The fiscal period of the Partnership ends on December 31 of each year.

In computing its net income or loss the Partnership will be entitled to deduct expenses incurred by it in the fiscal period in which they are incurred to the extent such expenses are reasonable in amount and their deduction is permitted by the Tax Act. In some cases, outlays and expenses may have to be capitalized and added to the cost amount of its property.

### ***Taxation of Trust Unitholders***

#### **Distributions**

A Trust Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Trust for a taxation year, including the taxable portion of net realized capital gains, that is paid or payable to the Trust Unitholder in the particular taxation year, whether that amount is received in cash, additional Trust Units, promissory notes, in specie distributions or otherwise. Income of a Trust Unitholder from the Trust Units will generally be income from property. Any loss of the Trust for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Trust Unitholder. Provided that appropriate designations are made by the Trust, such portion of (i) the net realized taxable capital gains of the Trust, and (ii) taxable dividends received or deemed to be received by the Trust on shares of taxable Canadian corporations, as is paid or becomes payable to a Trust Unitholder will effectively retain their character and will be treated as such in the hands of the Trust Unitholder for purposes of the Tax Act. Such dividends will be subject, inter alia, to the gross-up and dividend tax credit provisions in respect of individuals, the refundable tax under Part IV of the Tax Act applicable to “private corporations” and “subject corporations” (as defined under the Tax Act), and the deduction in computing taxable in respect of dividends received by taxable Canadian corporations. An additional 10 $\frac{2}{3}$ % tax will be payable by a Trust Unitholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) in certain circumstances.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Trust Unitholder in a taxation year will not be included in computing the Trust Unitholder’s income for the year. Any other amount in excess of the net income of the Trust that is paid or payable to a Trust Unitholder in that year will not generally be included in the Trust Unitholder’s income for the year. However, where such an amount is paid or payable to a Trust Unitholder (other than as proceeds in respect of the redemption of Trust Units), the Trust Unitholder will be required to reduce the adjusted cost base of the Trust Units by that amount, except to the extent that the amount represents the Trust Unitholder’s share of the non-taxable portion of the net realized capital gains of the Trust for the year, the taxable portion of which was designated by the Trust in respect of the Trust Unitholder. To the extent that the adjusted cost base of a Trust Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Trust Unit to the Trust Unitholder will then be nil.

Trust Units issued to a Trust Unitholder as a non-cash distribution of income will have a cost amount equal to the amount of such income and will be averaged with the adjusted cost base of all other Trust Units held by the Trust Unitholder at that time as capital property in order to determine the adjusted cost base of each Trust Unit.

#### ***Disposition of Trust Units***

On the disposition or deemed disposition of a Trust Unit, whether on a redemption or otherwise, the Trust Unitholder who holds the Trust Units as capital property will realize a capital gain (or a capital loss) equal to the amount by which the Trust Unitholder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Trust Unit and any reasonable costs of disposition. Proceeds of disposition generally do not include an amount payable by the Trust that is otherwise required to be included in the Trust Unitholder’s income, including any capital gain realized by the Trust in connection with a redemption which has been designated by the Trust as having been paid to the redeeming Trust Unitholder.

The adjusted cost base of a Trust Unit to a Trust Unitholder will include all amounts paid or payable by the Trust Unitholder for the Trust Unit, with certain adjustments. The cost to a Trust Unitholder of additional Trust Units received in lieu of a cash distribution of income will be the amount of income distributed by the

issue of those Trust Units. For the purpose of determining the adjusted cost base to a Trust Unitholder of Trust Units, when a Trust Unit is acquired, the cost of the newly-acquired Trust Unit will be averaged with the adjusted cost base of all of the Trust Units owned by Trust Unitholder as capital property immediately before that acquisition. A consolidation of Trust Units following a distribution paid in the form of additional Trust Units will not be regarded as a disposition of Trust Units.

The redemption of Trust Units in consideration for cash or promissory notes, whether issued by the Trust, or the Partnership, as the case may be, will be a disposition of such Trust Units for proceeds of disposition equal to the amount of such cash or the fair market value of such notes. In addition to such proceeds of disposition, a Trust Unitholder may also receive a distribution out of the income of the Trust. Where Trust Units are redeemed and the redemption price is paid by the delivery of Trust Property to the redeeming Trust Unitholder, the proceeds of disposition to the Trust Unitholder of the Trust Units will be equal to the fair market value of the Trust Property so distributed. Where any income or capital gain realized by the Trust in connection with the distribution of Trust Property on the redemption of Trust Units has been designated by the Trust to a redeeming Trust Unitholder, the Trust Unitholder will be required to include in the income or taxable portion of the capital gain so designated.

The receipt of Trust Property in substitution for Trust Units may result in a change in the income tax characterization of distributions. Holders of promissory notes received on a redemption of Trust Units generally will be required to include in income interest that is received or receivable on such promissory notes. The cost to a Trust Unitholder of any Trust Property distributed to a Trust Unitholder by the Trust will be deemed to be equal to the fair market value of such property at the time of distribution less, in certain circumstances, any interest which has accrued on notes distributed by the Trust. Trust Unitholders should consult with their own tax advisors as to the consequences of receiving Trust Property on a redemption.

**Trust Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.**

#### *Capital Gains and Capital Losses*

Two-thirds of any capital gain (a “**taxable capital gain**”) realized by a Trust Unitholder on a disposition or deemed disposition of Trust Units and the amount of any net taxable capital gains designated by the Trust in respect of a Trust Unitholder will be included in the Trust Unitholder’s income as a taxable capital gain. Two-thirds of any capital loss realized by a Trust Unitholder on a disposition or deemed disposition of Trust Units may generally be deducted only from taxable capital gains of the Trust Unitholder in accordance with the provisions of the Tax Act. A Trust Unitholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax of 10% on certain investment income, including taxable capital gains.

#### *Alternative Minimum Tax*

In general terms, net income of the Trust paid or payable to a Trust Unitholder who is an individual that is designated as net taxable capital gains or eligible dividends and capital gains realized on the disposition of Trust Units may increase the Trust Unitholder’s liability for alternative minimum tax.

### **7.2 Eligibility for Investment in Trust Units by Deferred Plans**

Provided the Trust qualifies as a mutual fund trust within the meaning of the Tax Act, the Trust Units, when issued, will each be a qualified investment under the Tax Act for Deferred Plans. If that is the case, Deferred Plans will generally be exempt from tax in respect of any distributions paid or payable on Trust Units or gains realized upon a disposition or deemed disposition of Trust Units.

Generally, if the Trust does not qualify or ceases to qualify as a mutual fund trust at any time, the Trust Units will not be, or will cease to be, qualified investments for Deferred Plans at that time. One of the requirements for the Trust to qualify as a mutual fund trust is that it will have at least 150 separate holders of Trust Units, each holding no less than one block of Trust Units as defined in the Tax Act. As of the date of this Offering Memorandum, the Trust does not yet have over 150 separate holders of Trust Units, each holding no less than one block of Trust Units as defined in the Tax Act. Promissory notes and Trust Property received as a result of redemptions of Trust Units may not be qualified investments for Deferred Plans. Where a Deferred Plan acquires a promissory note or a Trust Property that is not a qualified investment, or acquires or holds a Trust Unit that is not, or that ceases to be, a qualified investment, adverse tax consequences may arise to the Deferred Plan and the annuitant under the Deferred Plan. Accordingly, Deferred Plans that propose to invest in Trust Units should consult their own tax advisors before deciding to purchase Trust Units and again before deciding to exercise their redemption rights attached to such Trust Units.

If at any time the Trust Units are a prohibited investment for a Deferred Plan, the annuitant may be subject to adverse tax consequences. Generally, Trust Units should not be a prohibited investment under the Tax Act for any Deferred Plan provided that the annuitant deals (i) at “arm’s length” with the Trust, and (ii) does not have a “significant interest” in the Trust. Generally, an annuitant will not have a significant interest in the Trust or any corporation, partnership or trust that does not deal at arm’s length with the Trust, provided the annuitant, or the annuitant together with persons and partnerships with whom the annuitant does not deal at arm’s length, does not own (nor is deemed to own pursuant to the Tax Act), directly or indirectly, 10% or more of the issued Trust Units or of the shares of or interests in any corporation, partnership or trust that does not deal at arm’s length with the Trust (all for purposes of the Tax Act).

### **7.3** *Income Tax Consequences Relating to the Partnership*

**You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you. The stated tax consequences may or may not apply uniformly to all purchasers. All Investors will be responsible for the preparation and filing of their own tax returns in respect of this investment.**

The following summary, as of the date of this Offering Memorandum, describes the principal Canadian federal income tax considerations of acquiring, holding and disposing of Partnership Units generally applicable to an investor (who acquires Partnership Units under this Offering Memorandum) who is an individual, other than a trust, and who, for the purposes of the Tax Act is, or is deemed to be, a resident of Canada, deals at arm’s length with the Partnership and is not affiliated with the Partnership, holds the Partnership Units as capital property and has not made a foreign currency reporting election under the Tax Act. Generally, Partnership Units will be considered to be capital property to an investor provided the investor does not hold the Partnership Units in the course of carrying on a business and has not acquired the Partnership Units in one or more transactions considered to be an adventure in the nature of trade.

This summary assumes that at all material times no interest in any investor will be a “tax shelter investment” as defined in the Tax Act, that Partnership Units will not be acquired with financing for which recourse is, or is deemed to be, limited for purposes of the Tax Act and that no more than 50% of the Partnership Units will be held by “financial institutions” as defined in the Tax Act. Financing is deemed to be limited recourse for purposes of the Tax Act unless: (i) bona fide arrangements were made in writing at the time the financing was obtained providing for repayment within a reasonable period, not exceeding 10 years; (ii) interest is payable at least annually at a rate that is not less than the rate prescribed under the Tax Act; and (iii) interest is paid no later than 60 days after the end of each taxation year. If an interest in an investor becomes a tax shelter investment, an investor finances an acquisition of Partnership Units with limited recourse financing or if more than 50% of the Partnership Units are held by “financial institutions” there may be adverse tax consequences to the Partnership and its members.

This summary assumes that at all material times the Partnership will not be a “SIFT partnership” as defined in the Tax Act. If investments in the Partnership are listed or traded on a stock exchange or other public market then the Partnership, if it holds one or more non-portfolio properties, which generally does not include real property situated outside of Canada, may be a SIFT partnership and the Canadian federal income tax considerations described below will be materially different. This summary also assumes that the Partnership Units will not be listed or traded on a stock exchange or other public market for the purposes of the Tax Act.

This summary is based upon the facts set out in this Offering Memorandum, the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof by the Minister of Finance (Canada) (the “**Tax Proposals**”) and the Partnership’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency publicly available prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not intended to be legal or tax advice to any particular purchaser of Partnership Units. Consequently, prospective purchasers should seek independent professional advice regarding the income tax consequences of investing in the Partnership Units, having regard to their own particular circumstances.**

References to “income” or “loss” in this summary mean income or loss as determined for purposes of the Tax Act.

### *Computation of Income*

The Partnership is not itself generally liable for income tax. However, the Partnership must compute its income or loss for each fiscal period as though it was a separate person resident in Canada and file an annual information return. The fiscal period of the Partnership ends on December 31 each year. Subject to the comments below, each Limited Partner will be required to include (or be entitled to deduct) in computing his income (or loss), his share of the income (or loss) of the Partnership allocated to him pursuant to the Partnership Agreement for the fiscal period of the Partnership ending in the Limited Partner’s taxation year, regardless of whether any cash or other assets have been distributed to him.

The income of the Partnership as determined for purposes of the Tax Act may differ from its income as determined for accounting purposes and may not be matched by cash distributions. In computing the income or loss of the Partnership for purposes of the Tax Act, deductions may be claimed in respect of reasonable administrative costs, interest and other expenses incurred by the Partnership for the purposes of earning income, subject to the relevant provisions of the Tax Act.

Losses allocated by the Partnership to a Limited Partner are deductible only to the extent the Limited Partner has an “at-risk amount” (within the meaning of the Tax Act) in respect of the Limited Partner’s interest in the Partnership. Losses from the Partnership that are not deductible by a Limited Partner because they exceed the Limited Partner’s at-risk amount at the particular time generally may be carried forward indefinitely and may be deducted against income only to the extent the Limited Partner has an at risk amount in a subsequent year. In general, a Limited Partner’s at-risk amount will be the adjusted cost base of his Partnership Units at the relevant time (plus, where that time is the end of the Partnership’s fiscal period, income allocated to the Limited Partner for that fiscal period), less any amounts owing by the Limited Partner (or by a person or partnership that does not deal at arm’s length with the Limited Partner) to the Partnership (or to a person or partnership that does not deal at arm’s length with the Partnership) and less any amount or benefit provided to the Limited Partner (or to a person or partnership that does not deal at arm’s length with the Limited

Partner) for the purpose of protecting the Limited Partner against any loss the Limited Partner may sustain as a consequence of being a member of the Partnership or holding or disposing of an Partnership Unit.

Subject to the comments above, a Limited Partner may apply his share of non-capital losses allocated to him by the Partnership to reduce net income for the relevant taxation year and, to the extent such non-capital losses exceed net income for the year, they may generally be applied in the three previous taxation years or the 20 subsequent taxation years.

### ***Disposition of Partnership Units***

A disposition or deemed disposition by an investor of his Partnership Units should generally result in a capital gain (or capital loss) to the investor to the extent the proceeds of disposition of such Partnership Units, net of reasonable disposition costs, exceed (or are exceeded by) the adjusted cost base of the Partnership Units. In general, the adjusted cost base of a Limited Partner's Partnership Units at a particular time will be equal to the Subscription Price of the Partnership Units, plus income of the Partnership that has been allocated to the Limited Partner for completed fiscal periods, minus losses of the Partnership allocated to the Limited Partner for completed fiscal periods and minus distributions received by the Limited Partner from the Partnership. Where a Limited Partner disposes of all of its Partnership Units in a fiscal period of the Partnership, any income or loss allocated to the Limited Partner for such fiscal period will be taken into account in determining the adjusted cost base of the Limited Partner's Partnership Units. Losses which are not deductible because a Limited Partner does not have a sufficient at-risk amount will not reduce the adjusted cost base of Partnership Units.

If a Limited Partner disposes of Partnership Units and a person who is exempt from tax under the Tax Act, or who is a nonresident of Canada for purposes of the Tax Act, directly or indirectly through a partnership or a trust of which a tax exempt person or non-resident is a member or a beneficiary, as the case may be, acquires the Partnership Units as part of a transaction or event, or series of transactions or events, then the gain may be taxed as ordinary income of the Limited Partner.

If, at the end of any fiscal period of the Partnership, the deductions in computing the adjusted cost base of a Limited Partner's Partnership Units exceed the Subscription Price and additions in computing such adjusted cost base, such negative amount will be deemed to be a capital gain of the Limited Partner from a disposition of the Partnership Units and the adjusted cost base of the Limited Partner's Partnership Units will be nil at the beginning of the next fiscal period of the Partnership.

### ***Capital Gains and Losses***

Two-thirds of the capital gain realized by a holder from a disposition or deemed disposition of Partnership Units must be included in computing the holder's income as a taxable capital gain. Two-thirds of a capital loss realized in a taxation year from a disposition or deemed disposition of Partnership Units will be deductible as an allowable capital loss against taxable capital gains realized in that year, and to the extent such allowable capital losses exceed taxable capital gains in the year, may be applied in the three previous taxation years or any subsequent taxation year, subject to certain restrictions contained in the Tax Act.

A holder may be liable to pay alternative minimum tax as a result of realizing a capital gain.

## **7.4 *Partnership Units Are Not Eligible for Deferred Plans***

The Partnership Units will not constitute a qualified investment for the purposes of the Tax Act for Deferred Plans such as a trust governed by a registered retirement savings plan (including a locked-in retirement

account or a locked-in retirement savings plan), a registered retirement income fund (including a life income fund or a locked-in retirement income fund), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account and, in order to avoid adverse tax consequences, should not be acquired by such plans. You should consult your own professional advisers to obtain advice on RRSP eligibility of these securities.

## **Item 8 Compensation Paid to Sellers and Finders**

The Issuers have engaged Merchant Services, and may engage, Selling Agents to review subscriptions for Units, communicate with Unitholders and potential investors as necessary, to introduce and to sell Units, in compliance with all applicable securities laws, as agents for the Issuers (see item 1, “**Use of Available Funds**”).

Merchant Services is a wholly owned subsidiary of the General Partner and David Gens is the sole director. Merchant Services is therefore related to the Issuers.

Selling Agents will be compensated by the payment of referral fees in an amount to be determined between the applicable Selling Agents and the Manager out of the earnings of the General Partner and will not be an additional cost to the Issuers.

## **Item 9 Risk Factors**

**An investment in either of the Partnership or the Trust is speculative and contains certain risks. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Units. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Issuers will meet their business objectives. The Issuers’ returns may be unpredictable and, accordingly, the Units are not suitable as the sole investment vehicle for an investor or for an investor that is looking for a predictable source of cash flow. An investor should only invest in the Issuers as part of an overall investment strategy. Based on, among others, the factors described below, the possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of such loss.**

### **9.1 Investment Risk**

#### **(a) No Market for Units**

There is no market through which the Units may be sold and the Partnership and the Trust do not expect that any market will develop. Accordingly, an investment in Units should only be considered by investors who do not require liquidity. The Units are also subject to resale restrictions under applicable securities legislation. See item 11, “Resale Restrictions”.

The Partnership Agreement and the Declaration of Trust provide for some liquidity through the right of redemption, but such rights are subject to a number of restrictions. For further details, see item 2.7, “*Material Agreements – (I) Partnership Agreement*” under the heading “(7) Redemption of Units” and “(II) Declaration of Trust” under the heading “(3) Redemption of Units.”

#### **(b) Transferability of Units**

The Partnership Agreement and the Declaration of Trust limit the transferability of Units.

#### **(c) Nature of Trust Units**

Each Trust Unit represents an equal undivided beneficial interest in the Trust. The Trust Units do not represent debt instruments and there is no principal amount owing to Trust Unitholders under the Trust Units, and the Trust Units are not insured against loss through the Canadian Deposit Insurance Corporation.

(d) Nature of Partnership Units

Each Partnership Unit represents an equal undivided beneficial interest in the Partnership. The Partnership Units do not represent debt instruments and there is no principal amount owing to Limited Partners under the Offered Partnership Units, and the Offered Partnership Units are not insured against loss through the Canadian Deposit Insurance Corporation.

(e) Possible Loss of Limited Liability

The Partnership Act provides that a limited partner is not liable for the obligations of the limited partnership except in respect of the amount of property he or she contributes or agrees to contribute to the capital of the limited partnership. The Partnership Act also provides that a limited partner benefits from limited liability unless he or she takes part in the management of the business. In order that the liability of the Limited Partners will be limited to the extent described, certain legal requirements under the Partnership Act and other applicable legislation must be satisfied. There is a potential for unlimited liability of Limited Partners with respect to limited partnerships operating, owning property or incurring obligations in a jurisdiction other than that in which it was formed without being registered as a limited partnership in that jurisdiction. The General Partner will indemnify each Limited Partner for losses incurred that result from the loss of limited liability when caused by any act or omission of the General Partner.

(f) Financial Resources of the General Partner

While the General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners in certain circumstances (including in the case of loss of limited liability caused by an act or omission of the General Partner), at present the General Partner has nominal financial resources. The General Partner may be unable to meet its obligations under such indemnity.

(g) No Review by Regulatory Authorities

This Offering Memorandum constitutes a private offering of the Units by the Partnership and the Trust only in those jurisdictions where and to those persons whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus, advertisement or a public offering of these Units. Purchasers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

(h) No Market Determination of Price

The offering price for the Units was determined by the Manager based on the Net Asset Value of the Units and is not based on any specific recognized criteria of market value. Quite specifically, it should be recognized that, as there is no existing market for the Units it is impossible, except for the results of the sale of such Units under this offering, to determine at what price, if at all, Units would sell for if a market did exist.

(i) Tax Matters



A purchaser is required to take into account, in computing income and loss for income tax purposes for a taxation year, his share of the income or loss of the Trust or Partnership. This amount may be greater than or less than the cash distributions, if any, received by the purchaser in such year.

The tax consequences associated with an investment in Units are subject to changes in federal and provincial laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to investors holding or disposing of Units. There is also a risk that the returns of purchasers relating to their investments in the Units may be reassessed.

No advance income tax ruling has been applied for or received with respect to the income tax consequences described in this Offering Memorandum. The purchaser and his advisors should carefully review the discussion under item 6, "Tax Consequences and RRSP Eligibility" contained in this Offering Memorandum.

(j) Trust Units are intended to be held by Taxable and Tax-Exempt Investors

The Trust Units are intended to be held by taxable and tax-exempt investors. Taxable investors may be subject to tax as a result of holding Trust Units. The Trust intends to make all taxable income of the Trust payable to Trust Unitholders each year and to distribute such income by distributing cash or Trust Units. In addition, income allocated by the Trust to Trust Unitholders may exceed the amount payable to them on a redemption of their Trust Units. Investors should consult their own tax advisors respecting the tax consequences of owning the Trust Units.

(k) Mutual Fund Trust Status

To qualify as a mutual fund trust, the sole undertaking of the Trust must be the investing of its funds in property (other than certain real property or interests in real property), the Trust must comply on a continuous basis with certain requirements relating to maintaining a diversity of investments, the qualification of the Trust Units for distribution to the public, the number of Trust Unitholders and the dispersal of ownership of Trust Units and the Trust must not be reasonably considered to have been established or maintained primarily for the benefit of non-residents of Canada. If the Trust fails or ceases to qualify as a "mutual fund trust", there may be adverse tax consequences to the Trust and Trust Unitholders.

(l) Eligibility of Trust Units for Investment by Deferred Plans

If the Trust fails or ceases to qualify as a "mutual fund trust" the Trust Units may not be or may cease to be qualified investments for Deferred Plans which will have adverse tax consequences to Deferred Plans and their annuitants, holders or beneficiaries. If the Trust Units are or become a prohibited investment for trusts governed by the Deferred Plans, adverse tax consequences may result to the holder of the Deferred Plans.

One of the requirements for the Trust to qualify as a mutual fund trust is that it will have at least 150 separate holders of Trust Units, each holding no less than one block of units (meaning 10 Trust Units if the fair market value is at least \$100 per Trust Unit), with an aggregate value of at least \$500 worth of Trust Units. The Trust may hold Closings of the Trust Offering prior to this requirement being met and there is no guarantee that this requirement will be met.

Trust Property received as a result of a distribution or redemption of Trust Units may not be a qualified investment for Deferred Plans, which may give rise to adverse consequences to a Deferred Plan or the annuitant, holder or beneficiary thereunder.

(m) Tax Treatment of Trust Units and Trust Unitholders

Canadian federal or provincial income tax legislation may be amended, or their interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Trust Units or the investments held by the Trust. The alternative minimum tax could limit tax benefits available to Trust Unitholders. There is no assurance that income tax laws or administrative practices of tax officials in the various jurisdictions of Canada will not be changed in a manner which will adversely alter the tax treatment of Trust Unitholders.

(n) Tax Characterization of Trust Income and Trust Capital Gains

The designation of income or gains realized by the Trust to Trust Unitholders, including the designation of gains realized on the disposition of investments as capital gains will depend largely on factual considerations. The Trust will endeavor to make appropriate characterizations of income or gains realized by the Trust for purposes of designating such income or gains to Trust Unitholders based on information reasonably available to it. However, there is no certainty that the manner in which the Trust characterizes such income or gains will be accepted by the CRA. If it is subsequently determined that the Trust's characterization of a particular amount was incorrect, Trust Unitholders might suffer material adverse tax consequences as a result.

(o) SIFT Status

If investments in the Trust are listed or traded on a stock exchange or other public market, the Trust may be taxable as a "SIFT trust" under the Tax Act, which will have adverse tax consequences to the Trust Unitholders and the Trust and the Canadian federal income tax considerations of investing in the Trust will be materially different from those described herein.

(p) Tax Aspects relating to Partnership Units

Canadian federal and provincial tax aspects should be considered prior to investing in the Partnership Units (see item 6, "Tax Consequences and RRSP Eligibility"). The return on a Limited Partner's investment in Partnership Units may be affected by changes in Canadian tax laws. The discussion of income tax considerations in this Offering Memorandum is based upon current income tax laws and regulations. There can be no assurance that (a) tax laws, regulations or judicial or administrative interpretations will not be changed, (b) applicable tax authorities will not take a different view as to the interpretation or the application of tax laws and regulations than the Partnership or than as set out in this Offering Memorandum, (c) applicable tax authorities will not challenge allocations by the Partnership of income, losses, gains or deductions or disallow certain deductions against income, or (d) the facts upon which the tax discussions set out in this Offering Memorandum are materially correct. Any of the preceding may fundamentally alter, in a negative way, the tax consequences to investors of holding or disposing of Partnership Units.

If an interest in a Limited Partner is or becomes a "tax shelter investment", if a Limited Partner finances the acquisition of its Partnership Units with limited recourse financing, or if more than 50% of the Partnership Units are held by "financial institutions" for the purposes of the Tax Act, there may be adverse tax consequences to all Limited Partners and the Partnership. If investments in the Partnership are listed or traded on a stock exchange or other public market and the Partnership holds one or more "non-portfolio properties", as defined in the Tax Act, then the Partnership may be a SIFT Partnership and the Canadian federal income tax considerations will be materially different than those described herein.

The discussion of certain Canadian federal income tax considerations contained in this Offering Memorandum is provided for information purposes only and is not a complete analysis or discussion of all potential tax considerations that may be relevant to the acquisition of Partnership Units. Prospective investors are urged to

consult their own tax advisors, prior to investing in the Partnership, with respect to the specific tax consequences to them from the acquisition of Partnership Units.

(q) High Risk Nature of Investment

An investment in Units is high risk in nature. The Units are primarily suitable for investors who are prepared to accept the risks inherent in the Partnership Purpose and are able to bear the loss of their entire investment. There is no guarantee of a return on a purchaser's investment in Units.

(r) Merits as an Investment

All prospective purchasers are urged to consider the purchase of Units hereunder based upon the merits of such Units. The majority of the proceeds of this offering have been allocated to the acquisition of receivables and small business loans. There are no assurances that the Partnership will be successful in acquiring any such receivables and small business loans on commercially reasonable terms or at all. Furthermore, as a Limited Partner, purchasers will have no part in the management or control of the business of the Partnership. Accordingly, in assessing the risks and rewards of an investment in Units, potential purchasers should appreciate that they are relying on the good faith, judgment and ability of the directors, officers and employees of the General Partner to make appropriate decisions with respect to the management of the business of the Partnership and will be bound by the decisions of such directors, officers and employees. It would be inappropriate for purchasers unwilling to rely on the directors, officers and employees of the General Partner to the extent set forth above to purchase Units.

(s) The Risk of Uninsured Losses will be Borne by the Partnership

The Partnership expects to maintain insurance coverage against liability to third parties and property damage as is customary for similar businesses, insofar as the General Partner deems the same necessary or appropriate, in its sole discretion. There can be no assurance that insurance will be available or sufficient to cover all such risks. Insurance against certain risks may be unavailable or commercially infeasible. Uninsured losses will be borne by the Partnership.

(t) Securities Regulatory Risks

In the ordinary course of business, the Issuers may be subject to ongoing reviews by the securities regulators, who have broad powers to pass, interpret, amend and change the interpretation of securities laws from time to time and broad powers to protect the public interest and to impose terms, conditions, restrictions or requirements regarding registration under securities laws. Further, the securities regulators have the authority to retroactively deny the benefit of an exemption from prospectus or registration requirements otherwise provided for in the securities laws where the regulator considers it necessary to do so to protect investors or the public interest. It is possible that securities matters may be reviewed and challenged by the securities authorities. If such challenge were to succeed, it could have a material adverse effect on the Issuers. There is no assurance that applicable securities laws or the securities regulators interpretation thereof or the practices of the securities regulators will not be changed or re- interpreted in a manner that adversely affects the Issuers.

(u) Disclosure of Personal Information

Investors are advised that their names and other specified information, including the number and aggregate value of the Trust Units and Partnership Units owned: (i) will be disclosed to the relevant securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the investor consents to the disclosure of such information; (ii) is being collected indirectly by the applicable securities regulatory authority under the authority granted

to it in securities legislation; and (iii) is being collected for the purposes of the administration and enforcement of the applicable securities legislation.

## **9.2                    *Issuer Risk***

### **(a)                    Credit Risk**

“Credit risk” is the risk that a merchant or other debtor who receives the Partnership’s advances or loans will fail to discharge the obligation to repay such advances or loans to the Partnership. The Partnership provides financing to merchants who may not meet financing criteria for conventional lending from institutional lenders. The Partnership also provides financing to other related and affiliated parties who themselves provide financing to merchants and individuals who may not meet financing criteria for conventional lending from institutional lenders. As a result, these advances and loans are generally riskier and carry a higher credit risk than those made by institutional lenders. This higher credit risk means that the Partnership may incur financial losses which would adversely affect the returns of the Partnership.

The advances and loans made by the Partnership are not insured by any insurer in whole or in part. Accordingly, the Partnership solely bears the entire credit risk.

In the event that the Partnership or a collection agency on behalf of the Partnership must take legal action against a merchant to recover funds in the event of default, the Partnership may be unable to recover any of these funds. This may adversely affect the returns of the Partnership.

### **(b)                    Liquidity Risk**

The Partnership Purpose depends on the availability of capital to make advances and loans. The Partnership’s main sources of liquidity are capital raised from investors, senior and subordinated lenders and advances and loans collected and profits generated by the business. The collection of advances and loans and the generation of profits are highly dependent on economic conditions and may be negatively impacted by merchant or corporate default. A high rate of merchant or corporate default, combined with the simultaneous exercise by a great number of Limited Partners of their right of redemption, may result in the Partnership lacking sufficient liquidity to meet customer demand. This may adversely affect the returns of the Partnership.

### **(c)                    Relationship with Senior and Subordinate Lenders**

The operations of the Partnership are highly dependent upon its relationship with its senior and subordinate lenders. The loss of the relationship with senior and subordinate lenders or the termination of these arrangements may materially affect the ability of the Partnership to operate the Partnership Purpose.

### **(d)                    No Assurance of Profitability of Operations**

Notwithstanding the business plan and internal projections developed by the Partnership, there can be no assurance that the Partnership will be able to operate successfully and in fact, may ultimately fail. Even if its commercial operations are successful, there is no assurance that any specific level of profitability will be achieved by the Partnership.

### **(e)                    Dependence on Key Personnel**

The success of the Issuers will be entirely dependent upon the efforts of the General Partner and, in particular, the efforts, knowledge and expertise of the General Partner’s management team, who have substantial

discretionary authority for the Partnership and completion of the Project. The Trust and other Limited Partners have no right or power to take part in the management of the Partnership. Accordingly, no one should invest in Units unless they are willing to entrust all aspects of the management and all decisions of the Partnership to the General Partner and its management team.

(f) Potential Inaccurate Estimates of Loss Rates/Payback Periods

The expected returns of the Partnership are sensitive to the loss rates experienced by the Partnership's advance and loan portfolio. Should loss rates exceed the Partnership's estimates, the bad debt reserve may be insufficient to cover these losses. This would result in a potential loss of capital for the Partnership and could cause actual returns of the portfolio to differ significantly from expected returns. Additionally, if forecasted payback periods differ significantly from actual payback periods, the returns of the Partnership may differ significantly from expected returns.

(g) Ability to Find Clients

The Partnership's investment returns are sensitive to the Partnership's ability to find clients that require its services. Although the Partnership believes that there is a large demand and opportunity for its services in Canada, it is possible that the Partnership may have difficulty finding a low risk client base that is large enough to require substantially all of the capital that is raised in the Partnership. Capital that is not invested will not earn a return and this may cause the investment returns of the Partnership to differ significantly from expected returns.

(h) Possibility of Fraud

Although the Partnership will be using thorough due diligence practices, the Partnership is still exposed to the possibility of fraud. Fraud may cause the Partnership to incur financial losses, which would adversely affect the returns of the Partnership.

(i) Default on indebtedness

If the Partnership defaults in the repayment of any indebtedness, or becomes insolvent, the creditors holding such indebtedness will be entitled to exercise available legal remedies against the Partnership, including among other things, preventing any distributions on the Units, declaring the full amounts of such loans immediately repayable and exercising their rights against the assets of the Partnership. There is no assurance that there will be assets available to recover any portion of a Limited Partner's investment.

(j) Past Performance not a Predictor of Future Results

Historical successes of past projects experienced by management of the Trust, the Partnership, the General Partner, the Trustee, and other associates and affiliates cannot, and should not, be viewed as indicative of future performance of the Issuers and the Units offered under this Offering Memorandum and must not be relied upon as a forecast or projection of the anticipated returns, if any, on an investment in the Units.

(k) Leverage

While the use of leverage is not necessary for the Partnership to achieve its investment objective, the Partnership may pledge its assets in order to borrow funds for investment and other purposes. The use of leverage may increase returns, but it may also create a greater potential for loss. There can be no assurance that the Partnership, in incurring debt, will be able to meet its obligations. Leverage is a speculative technique

which may expose the Partnership to greater risk and increase its costs. Increases and decreases in the value of the Partnership's portfolio will be magnified when the Partnership uses leverage. If leverage is employed, the Net Asset Value per Partnership Unit will be more volatile, and the return to Limited Partners will tend to fluctuate with changes in the short-term interest rates on the leverage.

(l) Public Health Crises and COVID-19

Public health crises, including the COVID-19 pandemic, can materially adversely impact the business, financial condition, liquidity or results of operations of the Issuers. The COVID-19 pandemic was a significantly impact the global economy and financial markets. The full extent and impact of the COVID-19 pandemic included extreme volatility in financial markets and a slowdown in economic activity. The international response to COVID-19 led to significant restrictions on travel, temporary business closures, quarantines, market volatility and a general reduction in consumer activity, globally. The effects of a pandemic negatively impact the Issuers' borrowers, such that the risk of foreclosure may be greater than before.

**9.3 *Industry Risk***

(a) Economic Conditions

The returns of the Partnership are sensitive to the condition of the overall Canadian economy. Significant, extended negative changes in Canadian economic conditions that impact the strength of consumer spending may increase the Partnership's portfolio's loss rates and have an adverse effect on the returns, financial condition or liquidity of the Trust and the Partnership.

(b) Increased Government Regulation

Increased government regulation and changes to laws affecting alternative financiers may have an adverse effect on the returns, financial condition or liquidity of the Trust and the Partnership.

(c) Competition

The Partnership competes with other alternative finance companies in Canada. An increased number of new entrants to the alternative finance industry could put pressure on returns of the Partnership's business. Certain of these competitors have greater financial and other resources and greater operating flexibility than the Partnership. Increased competition could have a material adverse effect on the underlying economics of newly purchased advances and loans which could adversely affect the returns of the Partnership.

**9.4 *Conflicts of Interest***

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

Merchant Services is a wholly owned subsidiary of the General Partner. Merchant Services distributes Units of the Trust and the Partnership to investors. Because there are common directors, officers and shareholders among the General Partner and Merchant Services the Partnership is considered both a related and connected issuer of Merchant Services. Details of this relationship and the fees earned by the General Partner, Merchant Services and Merchant Growth are disclosed under (see item 2.7, "Material Agreements").

Potential conflicts of interest could arise in connection with the Manager acting as the manager of the Trust and the Partnership, and Merchant Services dealing in securities of the Trust and Partnership. In its capacity as EMD, Merchant Services gathers know-your-client information from each prospective purchaser and conducts an objective suitability analysis based on quantitative criteria in order to determine whether Units of the Trust or Partnership are an appropriate investment for such purchaser.

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

**Other than the Manager, neither the Issuers, the Trustee, the General Partner, nor any other Acting Party or any affiliate or associate of the foregoing is responsible for, and undertakes no obligation to, determine the general or specific investment needs and objectives of a potential investor and the suitability of the Trust Units or Partnership Units having regard to any such investment needs and objectives of the potential investor.**

#### **Item 10            Reporting Obligations**

In accordance with the Partnership Agreement and the Declaration of Trust, the Manager will provide Limited Partners:

- (a) within 120 days after the end of each Fiscal Year, an annual report, including audited financial statements, a report on allocations and distributions and such other information as is necessary to enable a Limited Partner to file returns under the Tax Act;
- (b) unaudited financial statements within 60 days after the end of each fiscal quarter; and
- (c) with each of the foregoing reports, a narrative form setting out in reasonable detail the operating results of the Partnership and details of services or transactions rendered by certain related persons to the Partnership.

On or before March 31 in each calendar year, the Manager will forward to each person who received a distribution at any time during the previous calendar year, tax reporting information in such a manner as will enable such person to report the income tax consequences of investment Units in the Trust Unitholder's annual Canadian income tax return.

#### **Item 11            Resale Restrictions**

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation. The Units are also subject to restrictions on transfer under the Partnership Agreement and the Declaration of Trust (see item 2.7, "*Material Agreements*").

Unless permitted under securities legislation, you cannot trade the securities before the earlier of the date that is 4 months and a day after the date the Partnership becomes a reporting issuer in any province or territory of Canada.

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

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

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

## **Item 12 Purchaser's 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.

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

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd Business Day after you sign the agreement to buy the securities.

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

For purposes of the following summaries, “**misrepresentation**” means an untrue statement of a material fact or an omission to state a material fact that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made. A “**material fact**” means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the Units.

#### ***British Columbia***

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

- (a) to rescind your agreement to buy these Units, or
- (b) for damages against the Trust and/or the Partnership, every person who was a trustee of the Trust or a director of the General Partner at the date of this Offering Memorandum and every person who signed this Offering Memorandum.

This statutory right is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. Additionally, if you elect to exercise a right of rescission, you will have no right of action against the persons described in (b) above.

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 rescind the agreement within 180 days after the date that you purchased the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the Units.

#### ***Alberta***

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



- (a) to rescind your agreement to buy these Units; or
- (b) for damages against the Trust and/or the Partnership, every trustee of the Trust and every director of the General Partner at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

This statutory right is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. Additionally, if you elect to exercise a right of rescission, you will have no right of action against the persons described in (b) above.

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

### *Saskatchewan*

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

- (a) to rescind your agreement to buy these Units; or
- (b) for damages against the Trust and/or the Partnership, every promoter of the Partnership or Trust, every trustee of the Trust and every director of the General Partner as at the date of this Offering Memorandum, every person whose consent has been filed respecting the offering but only with respect to reports, opinions and statements made by that person, every other person who signed this Offering Memorandum and every person who sells securities on behalf of the Trust and the Partnership under this Offering Memorandum.

These statutory rights are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. Additionally, if you elect to exercise a right of rescission, you will have no right of action against the persons described in (b) above.

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 rescind the agreement within 180 days after the date that you purchased the Units. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the day you purchased the Units.

### *Manitoba*

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

- (a) to rescind your agreement to buy these Units; or

- (b) for damages against the Trust and/or the Partnership, every trustee of the Trust and every director of the General Partner at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

These statutory rights are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. Additionally, if you elect to exercise a right of rescission, you will have no right of action against the persons described in (b) above.

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 rescind the agreement within 180 days after the date that you purchased the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or 2 years after the day you purchased the Units.

### *Ontario*

If you are a resident of Ontario, and if there is a misrepresentation in this Offering Memorandum, a purchaser who purchases a Unit offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) the purchaser has a right of action for damages against the Trust or the Partnership; or
- (b) where the purchaser purchased the Units from the Partnership, the purchaser may elect to exercise a right of rescission, in which case the purchaser has no right of action for damages against the Trust or the Partnership.

The Trust and the Partnership will not be held liable under this paragraph if the subscriber purchased the Units with the knowledge of the misrepresentation. In an action for damages, the Trust and the Partnership will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon and in no case will the amount recoverable under this paragraph exceed the price at which the Units were sold to the subscriber.

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

### *Québec*

In addition to any other right or remedy available to you at law, if this Offering Memorandum is delivered to an investor resident in Québec and contains a misrepresentation, the investor will have: (1) statutory rights under Québec legislation; or (2) contractual rights in circumstances where the Québec legislation does not provide such rights, as follows:

- (a) a right of action for damages against the Trust and/or the Partnership, every trustee of the Trust and every director or officer of the General Partner, any expert whose opinion, containing a misrepresentation, appeared, with his consent, in this Offering Memorandum, the dealer (if any) under contract to the Trust or the Partnership and any person who is required to sign the certificate of attestation in this Offering Memorandum; or

- (b) a right of action for rescission of the purchase contract or revision of the price at which Units were sold to the investor.

However, there are various defences available to the persons that you have a right to sue. Among other defences, no person, nor the Trust nor Partnership will be liable if it proves that:

- (a) the investor purchased the Units with knowledge of the misrepresentation; or
- (b) in an action for damages, that they acted prudently and diligently (except in an action brought against the Company).

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

- (a) for rescission or revision of price more than three years after the date of the purchase; or
- (b) for damages later than three years after the purchaser first had knowledge of the facts giving rise to the cause of action, except on proof of tardy knowledge imputable to the negligence of the purchaser.

#### ***Nova Scotia***

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

- (a) to rescind your agreement to buy these Units; or
- (b) for damages against the Trust and/or the Partnership, every person who was a trustee of the Trust or a director of the General Partner at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

These statutory rights to sue are 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 Units. Additionally, if you elect to exercise a right of rescission, you will have no right of action against the persons described in (b) above.

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 rescind the agreement within 180 days after the date that you purchased the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the Units.

#### ***New Brunswick***

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

- (a) to rescind your agreement to buy these Units; or
- (b) for damages against the Trust and/or the Partnership, every person who was a trustee of the Trust or a director of the General Partner at the date of this Offering Memorandum, every person who signed this Offering Memorandum or the seller.

The Trust and the Partnership will not be held liable under this paragraph if the subscriber purchased the Units with the knowledge of the misrepresentation. In an action for damages, the Trust and the Partnership will not be liable for all or any portion of such damages that they prove do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon and in no case will the amount recoverable under this paragraph exceed the price at which the Units were sold to the subscriber. Additionally, if you elect to exercise a right of rescission, you will have no right of action against the persons described in (b) above.

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 rescind the agreement within 180 days after the date that you purchased the Units. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the day you purchased the Units.

***Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon or Nunavut***

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

- (a) to rescind your agreement to buy these Units' or
- (b) for damages against the Trust and/or the Partnership, every person who was a trustee of the Trust or a director of the General Partner at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

These statutory rights are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. Additionally, if you elect to exercise a right of rescission, you will have no right of action against the persons described in (b) above.

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 rescind the agreement within 180 days after the date that you purchased the Units. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or 3 years after the day you purchased the Units.

**Item 13            Financial Statements**

Attached to this Offering Memorandum, immediately following this item, are the following:

- (a) in respect of the Partnership, interim financial statements prepared in accordance with International Financial Reporting Standards for the period beginning on January 1, 2024 to September 30, 2024;
- (b) in respect of the Partnership, audited financial statements prepared in accordance with International Financial Reporting Standards for the period beginning on January 1, 2023 to December 31, 2023 with comparative financials for the period beginning on January 1, 2022 to December 31, 2022;
- (c) in respect of the General Partner, interim financial statements prepared in accordance with International Financial Reporting Standards for the period from January 1, 2024 to September 30, 2024;
- (d) in respect of the General Partner, audited financial statements prepared in accordance with International Financial Reporting Standards for the period beginning on January 1, 2023 to December 31, 2023 with comparative financials for the period beginning on January 1, 2022 to December 31, 2022; and
- (e) in respect of the Trust, interim financial statements prepared in accordance with International Financial Reporting Standards for the period from inception on January 1, 2024 to September 30, 2024; and
- (f) in respect of the Trust, audited financial statements prepared in accordance with International Financial Reporting Standards for the period beginning on January 1, 2023 to December 31, 2023 with comparative financials for the period beginning on January 1, 2022 to December 31, 2022.

Interim Condensed Consolidated Financial Statements of

**MERCHANT OPPORTUNITIES FUND  
LIMITED PARTNERSHIP**

September 30, 2024

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**Interim Condensed Consolidated Statement of Financial Position  
(Unaudited)

	Notes	September 30, 2024	December 31, 2023
<b>Assets</b>			
Cash		\$ 1,701,731	\$ 774,893
Other amounts receivable		1,184,454	442,100
Derivative financial instruments		218,830	510,252
Merchant advances receivable	5	68,253,046	60,042,877
Merchant loans and lines of credit	5	6,668,061	5,837,346
Loans and advances of origination partners	5	30,874,568	20,082,625
Wholesale credit facilities	6	6,038,753	7,024,274
Due from related parties	7	6,174,745	4,869,026
Investments	8	3,285,335	2,849,754
		<b>\$ 124,399,523</b>	<b>\$ 102,433,147</b>

**Liabilities**

Demand credit facilities	9	\$ 44,154,708	\$ 41,980,851
Accounts payable and accrued liabilities		805,076	1,438,815

Total liabilities (excluding net assets attributable to the Partners) 44,959,784 43,419,666


Net assets attributable to the Partners	10	\$ 79,439,739	\$ 59,013,481
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Net assets attributable to the Partners represented by:

General Partner	\$ 505,881	\$ 209,037
Limited Partners	78,933,858	58,804,444

The accompanying notes are an integral part of these unaudited interim consolidated financial.

Approved on behalf of the Board:

DocuSigned by:  
  
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Director

Director

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Interim Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)

		Three Months Ended		Nine Months Ended	
	Notes	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue:					
Merchant fees, interest and dividend income		\$ 10,068,054	\$ 7,427,319	\$ 29,385,155	\$ 20,203,550
Other revenue	11	1,501,508	470,357	3,495,587	1,151,165
		11,569,562	7,897,676	32,880,742	21,354,715
Direct costs:					
Sales commissions		2,166,503	1,712,352	6,183,593	4,541,780
Interest and financing costs		1,160,108	849,850	3,669,522	2,299,117
Collection costs		161,342	60,162	387,811	157,697
		3,487,953	2,622,364	10,240,926	6,998,594
Realized and unrealized losses of financial assets designated at fair value through profit and loss		1,639,325	1,087,884	5,506,503	3,136,485
Provision for credit losses		178,107	161,250	520,189	411,729
		1,817,432	1,249,134	6,026,692	3,548,214
Net revenue		6,264,177	4,026,178	16,613,124	10,807,907
Operating expenses:					
Foreign exchange loss		129,476	18,742	206,908	76,229
Management fees	12	450,299	399,122	1,413,272	1,103,040
Origination and servicing Fees	12	2,584,512	2,129,478	7,653,714	5,473,653
Professional fees		105,605	146	242,322	87,316
		3,269,892	2,547,488	9,516,216	6,740,238
Net operating income		2,994,285	1,478,690	7,096,908	4,067,669
Net income and comprehensive income		\$ 2,994,285	\$ 1,478,690	\$ 7,096,908	\$ 4,067,669

The accompanying notes are an integral part of these unaudited interim consolidated financial.



# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

Interim Condensed Consolidated Statement Net Assets Attributable to the Partners  
(Unaudited)

Period ended, September 30, 2024	Class A	Class B	Class C	Class F	Class I	General Partner	Total
Partners' capital,							
December 31, 2023	\$ 388,723	\$ 17,792,545	\$ 37,717,988	\$ 6,533,251	\$ 476,884	\$ -	\$ 62,909,391
Units issued	6,815	135,985	6,658,131	7,491,027	13,181,152	-	27,473,110
Units redeemed	-	(117,430)	(5,881,928)	(16,411)	(744,671)	-	(6,760,440)
Partners' capital ending	395,538	17,811,100	38,494,191	14,007,867	12,913,365	-	83,622,061
Accumulated capital (deficiency),							
Retained earnings, December 31, 2023	(294,768)	(4,526,023)	562,438	159,508	(6,103)	209,037	(3,895,911)
Net income	37,451	1,263,904	2,784,486	983,813	859,311	1,167,943	7,096,908
Redemption premium	-	(28,151)	(275,331)	(827)	(41,108)	-	(345,417)
Distributions paid	(58,813)	(1,602,587)	(2,343,571)	(1,068,527)	(1,093,305)	(871,099)	(7,037,902)
	(316,130)	(4,892,857)	728,022	73,967	(281,205)	505,881	(4,182,322)
Net assets attributable to the Partners	\$ 79,408	\$ 12,918,243	\$ 39,222,213	\$ 14,081,834	\$ 12,632,160	\$ 505,881	\$ 79,439,739

Period ended, September 30, 2023	Class A	Class B	Class C	Class F	Class I	General Partner	Total
Partners' capital,							
December 31, 2022	\$ 418,271	\$ 17,917,664	\$ 24,582,919	\$ 5,798,324	\$ 326,990	\$ -	\$ 49,044,168
Units issued	21,607	405,593	14,688,292	1,164,589	252,166	-	16,532,247
Units redeemed	(57,838)	(406,463)	(2,287,730)	(565,656)	(33,980)	-	(3,351,667)
Partners' capital ending	382,040	17,916,794	36,983,481	6,397,257	545,176	-	62,224,748
Accumulated capital (deficiency),							
Retained earnings, December 31, 2022	(281,621)	(4,475,582)	371,578	239,071	10,790	209,619	(3,926,145)
Net income	27,893	977,603	2,061,346	353,504	29,423	617,900	4,067,669
Redemption premium	(5,597)	(56,924)	(66,276)	(34,346)	(3,740)	-	(166,883)
Distributions paid	(33,810)	(892,267)	(1,673,703)	(381,739)	(26,817)	(583,177)	(3,591,513)
	(293,135)	(4,447,170)	692,945	176,490	9,656	244,342	(3,616,872)
Net assets attributable to the Partners	\$ 88,905	\$ 13,469,624	\$ 37,676,426	\$ 6,573,747	\$ 554,832	\$ 244,342	\$ 58,607,876

The accompanying notes are an integral part of these unaudited interim consolidated financial.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net Income	\$ 2,994,285	\$ 1,478,690	\$ 7,096,908	\$ 4,067,669
Operations:				
Adjustments for non-cash items:				
Realized losses of financial assets designated at fair value through profit and loss	1,639,326	1,087,883	5,506,502	3,136,485
Provision for credit losses	178,107	161,250	520,189	411,729
Written-off receivables and loans	(1,097,447)	(1,185,111)	(4,560,430)	(2,130,037)
Interest income	(1,338,833)	(529,023)	(4,281,678)	(1,464,132)
Interest expense	952,450	740,924	3,027,600	2,008,845
Changes in net working capital	(474,059)	757,475	(2,016,819)	(604,947)
Interest received	1,338,201	614,835	4,317,240	1,476,914
Interest paid	(908,665)	(692,198)	(3,149,922)	(1,818,862)
	3,283,365	2,434,725	6,459,590	5,083,664
Investments:				
Sale (purchase) of other loans and investments	(305,469)	254,198	(615,967)	726,469
Net funding of merchant advances receivable	(1,891,177)	(2,807,738)	(8,442,428)	(12,881,589)
Net receipt (funding) of merchant loans and lines of credit	2,154,584	263,592	(911,510)	(290,213)
Net funding of loans and advances of				
Net funding of loans and advances of origination partners	(5,761,389)	(5,399,959)	(11,413,777)	(6,926,443)
Net repayment (funding) of wholesale credit facilities	(322,546)	117,961	879,437	(1,469,155)
Net repayment (funding) of Venbridge investment	-	(91,849)	-	1,426,870
Decrease (increase) in due from related parties	508,760	208,854	(1,294,764)	(1,069,534)
	(5,617,237)	(7,454,941)	(21,799,009)	(20,483,595)
Financing:				
Net proceeds from borrowings	753,395	(252,555)	2,936,907	5,923,914
Limited Partner's capital raised	4,582,258	7,754,992	27,473,111	16,532,247
Limited Partner's capital redeemed	(327,744)	(1,217,111)	(7,105,859)	(3,518,551)
General and Limited Partner's distributions paid	(2,277,510)	(1,320,884)	(7,037,902)	(3,591,512)
	2,730,399	4,964,442	16,266,257	15,346,098
Increase (decrease) in cash	396,527	(55,774)	926,838	(53,833)
Cash, beginning of period	1,305,204	140,558	774,893	138,617
Cash, end of period	\$ 1,701,731	\$ 84,784	\$ 1,701,731	\$ 84,784

The accompanying notes are an integral part of these unaudited interim consolidated financial.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

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### 1. Partnership information:

Merchant Opportunities Fund Limited Partnership (the "Partnership"), formerly known as Merchant Advance Capital Limited Partnership, was established under the laws of the Province of British Columbia on April 1, 2010. The Partnership is located in Canada and its registered office is 200 – 171 Water Street, Vancouver, British Columbia. The principal business activity of the Partnership is providing commercial capital funding to small and medium sized business in Canada.

Commencing on July 1, 2019, the General Partner of the Partnership is Merchant Opportunities Fund Ltd. (the "General Partner"). The General Partner manages the business, investments and administrative affairs of the Partnership.

Under the Sixteenth Amended and Restated Limited Partnership Agreement (the "LPA") between the General Partner and each of the Limited Partners (the "Limited Partners") dated August 7, 2024, the net income of the Partnership for a fiscal period shall be allocated as follows:

a) Firstly, *pari passu* as follows:

- i. to the class A Units and the class B Units, up to the amount of the positive difference, if any, between the preferred return (8%) of such class of unit in respect of all prior fiscal periods and the net income of the Partnership for such prior fiscal periods already allocated to such class of unit; and
- i. to the class C Units, class F Units and the class I Units, up to the amount of the positive difference, if any, between the class return (6%) in respect of all prior fiscal periods and the net income of the Partnership for such prior fiscal periods already allocated to such class of unit.

b) Secondly, *pari passu* as follows:

- i. to the class A units and the class B units, up to the amount of the preferred return of each such class of unit for such fiscal period; and
- i. to the class C Units, class F Units and the class I Units, up to the amount of the class return for such fiscal period.

c) Thirdly, the amount of any remaining net income up to 25% of the aggregate amount allocated to the Limited Partners in such fiscal period pursuant to the foregoing sections as follows:

- i. the portion of the net income earned from the following businesses of the Partnership: purchase of future receivables and business loans originated by Merchant Growth Ltd., Venbridge Limited Partnership, Merchant Growth Asset Financing Ltd. and Creditloans Canada Financing Inc. (collectively, the "Original Business"), shall be paid to Merchant Growth Ltd. to compensate such entity for past services to the Partnership; and
- ii. the portion of net income earned from any other source other than those set out above shall be paid to the General Partner (the "New Business");

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

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### 1. Partnership information (continued):

- a) Fourthly, any remaining net income shall be allocated (i) as to 80% thereof, to the class A units, class B units, class C units, class F units, and the class I units, and (ii) as to 20% thereof, to Merchant Growth and the General Partner in proportion to net income earned as between the Original Business and the New Business.

### 2. Basis of presentation:

The unaudited interim condensed consolidated financial statements have been authorized for issue by the Board on November 1, 2024.

#### (a) Statement of compliance:

The unaudited interim condensed consolidated financial statements for the nine-month period ended September 30, 2024 were prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using the same accounting policies and estimates as those used in the Partnership's most recent audited annual consolidated financial statements, except as described in note 3. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Partnership's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

#### (b) Basis of measurement:

The unaudited interim condensed consolidated financial statements have been prepared on the going concern basis, under the historical cost basis, except for financial assets and financial liabilities accounted for at fair value through profit or loss and all derivative financial instruments, which are measured at fair value.

#### (c) Functional and presentation currency:

These unaudited interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### (d) Use of estimates:

The preparation of unaudited interim consolidated financial in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Partnership's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### (e) Basis of consolidation:

##### (i) Subsidiaries:

The unaudited interim consolidated financial include the assets, liabilities, and the results of operations and cash flows of Merchant Opportunities Fund Limited Partnership and its wholly owned subsidiaries after the elimination of inter-company transactions and balances. As of September 30, 2024, the wholly owned subsidiaries are 1317793 B.C. Ltd. and Merchant Opportunities Fund USA Ltd.

# **MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

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### **2. Basis of presentation (continued):**

#### **(e) Basis of consolidation (continued):**

##### **(ii) Interest in equity - accounted investees:**

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Partnership's investment is net of any accumulated impairment losses. The consolidated financial statements include the Partnership's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Partnership, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Partnership's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Partnership has an obligation or has made payments on behalf of the investee.

### **3. Significant accounting policies:**

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Partnership's annual consolidated financial statements for the year ended, December 31, 2023.

### **4. Use of judgement and estimates:**

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. Changes in assumptions may have a material impact on the financial statements in the period the assumptions changed.

The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

#### **(a) Realized and unrealized losses or gains of financial assets designated at FVTPL:**

The Partnership regularly reviews its financial assets designated at FVTPL to assess for changes in fair values. In determining whether unrealized gains or losses should be recorded in the consolidated statement of income, the Partnership makes judgments as to whether there is any observable data indicating changes in the estimated future cash flows from a financial asset has occurred. This evidence may include observable data indicating that there has been an adverse change in the payment or solvency status of a borrower or portfolio of borrowers, changes in market interest rates and other factors impacting estimated future cash flows.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

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### 4. Use of judgement and estimates (continued):

#### (b) Fair value of financial instruments:

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. To the extent practical, models use only market observable data.

#### (c) Expected credit loss (ECL) allowance:

The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Credit impaired assets requires lifetime losses (Stage 3). The determination of a significant increase in credit risk takes into account many different factors and varies by loan product and risk segment, which requires experienced credit judgment.

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

The calculation of ECL includes explicit incorporation of forecasted economic conditions. The Partnership has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio.

### 5. Merchant advances receivable and loans:

The Partnership's advances receivable and loans represent amounts advanced to customers of the Partnership and loans acquired from other originators.

Included in merchant advances receivable and loans are assets in the form of co-investment interests with syndication and origination partners. The Partnership's interests in these assets have a carrying value of \$5,442,633 (2023 – \$8,279,163). The Partnership has significant merchant advances receivable and loans with 9322-0994 Quebec Inc. (dba Merchant Lenders). The Partnership's carrying values of assets with 9322-0994 Quebec Inc are \$3,124,437 (2023 – \$3,283,237).

The portfolio originated by the Partnership consists of merchant advances receivable, merchant loans and merchant lines of credit. The Partnership manages these assets as a single group. The ordinary operating cycle of advance receivables range from 3 to 24 months, while loan terms generally range from 6 to 24 months. Merchant lines of credit are revolving on demand debt facilities.

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

**5. Merchant advances receivable and loans (continued):**

Loans and advances of origination partners represent proportionate tranches of personal loans and merchant advances originated by other lenders. Included in this balance are loans originated by Gnosis Labs Inc. (operating as Elective, formerly known as Wizebank) with a carrying value of \$14,158,742 (2023 – \$14,682,559), loans originated by Spring Financial Inc. with a carrying value of \$1,232,308 (2023 – \$755,629), advances originated by Itria Ventures with a carrying value of \$16,420,511 (2023 – \$4,419,677), and loans originated by Spring Auto Finance Ltd., a corporation with a director in common with the General Partner, with a carrying value of \$104,539 (2023 – \$266,232). Loans have been acquired in the normal course of business and are measured at the exchange amount. The ordinary operating cycle of these loans range from 6 to 60 months.

## (a) Loan maturities and rate sensitivities:

	Maturity term				Rate sensitivity		
	Under 1 year	1 to 5 Years	Over 5 Years	Total	Floating	Fixed rate	Total
September 30, 2024							
Merchant loans and lines of credit	\$6,782,997	\$ -	\$ -	\$6,782,997	\$ -	\$6,782,997	\$ 6,782,997
Allowance for credit losses	\$ (114,936)	\$ -	\$ -	\$ (114,936)	\$ -	\$ (114,936)	\$ (114,936)
Total loans - net of allowance for credit losses	\$6,668,061	\$ -	\$ -	\$6,668,061	\$ -	\$6,668,061	\$ 6,668,061

	Maturity term				Rate sensitivity		
	Under 1 year	1 to 5 Years	Over 5 Years	Total	Floating	Fixed rate	Total
December 31, 2023							
Merchant loans and lines of credit	\$5,871,487	\$ -	\$ -	\$5,871,487	\$ -	\$5,871,487	\$5,871,487
Allowance for credit losses	\$ (34,141)	\$ -	\$ -	\$ (34,141)	\$ -	\$ (34,141)	\$ (34,141)
Total loans - net of allowance for credit losses	\$5,837,346	\$ -	\$ -	\$5,837,346	\$ -	\$5,837,346	\$5,837,346

## (b) Impaired loans:

A loan is considered impaired when an impairment trigger has occurred resulting in an expected measurable decrease in the estimated future cash flows of the loan. There were \$206,411 (2023 – \$53,050) impaired Merchant loans and lines of credit as at September 30, 2024.

## (c) Loans past due but not impaired:

A loan is considered past due but not impaired when a payment has not been received within 30 days of the contractual due date but management expects the immediate resumption of payments and does not otherwise believe a measurable decrease in the estimated future cash flows of the loan has occurred. There were no Merchant loans and lines of credit that are past due but not impaired as at September 30, 2024 and December 31, 2023.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

### 6. Wholesale credit facilities:

Wholesale Credit Facilities represent demand revolving credit facilities and amortizing term facilities provided to partner originators and related parties. Facilities bear interest between 5% and 18% compounded monthly and are secured against a borrowing base of financial assets.

Included in this balance is a credit facility to 9322-0994 Quebec Inc. (dba Merchant Lenders) with a balance of \$2,115,730 (2023 – \$1,977,552), Concorde Gate Financial Corp. (CGF) with a balance of \$3,411,375 (2023 – \$4,150,458), Certainty Software with a balance of \$182,543 (2023 – \$226,214), and a credit facility to a corporation with a director in common with the Partnership, Merchant Growth Asset Financing Ltd. (MGAF), with a net carrying value of \$356,468 (2023 – \$672,731). As of September 30, 2024, all facilities were revolving credit facilities payable on demand, with the exception of the CGF facility which amortizes to a maturity of April 1, 2027.

### 7. Due from (to) related parties:

(a) Due from related parties:

	September 30, 2024	December 31, 2023
(Unaudited)		
Due from Merchant Growth Ltd ("MGL").	\$ 5,991,551	\$ 4,714,408
Due from General Partner	192,867	161,498
	<u>\$ 6,184,418</u>	<u>\$ 4,875,906</u>

Due from related parties balance in the table above excludes provision for credit losses of \$9,672 (2023 – \$6,880). Total due from related parties net of provision credit losses as of September 30, 2024 is \$6,174,746 (2023 – \$4,869,026).

In the normal course of business, the Partnership transacts with its General Partner and other related entities under common control and/or directorship. For nine-month period ended September 30, 2024, the Partnership earned interest and preferred share income of \$417,661 (2023 – \$190,890) from related party amounts with MGL.



# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

### 7. Due from (to) related parties (continued):

#### (a) Due from related parties (continued):

The table below further details the amounts due from MGL:

	September 30, 2024	December 31, 2023
(Unaudited)		
Demand credit facility		
Credit facility was granted to MGL in 2018 and limited to an aggregate amount equal to the lower of 12% of MGL originations funded by the Partnership in the trailing 12 months or 6% of MGL originations funded by the Partnership over the trailing 24 months. The facility accrues interest monthly at a rate of 10% per annum.	\$ 4,526,103	\$ 3,251,753
Class C preferred shares		
Preferred shares were issued to the Partnership in exchange for certain assets which were sold to MGL as part of an organizational realignment. The preferred shares are redeemable on demand and pay dividend income at a rate of 4% per annum.	1,455,775	1,455,775
	\$ 5,981,878	\$ 4,707,528

### 8. Investments:

	September 30, 2024	December 31, 2023
(Unaudited)		
US Loan Participations and Investments	\$ 3,285,335	\$ 2,849,754
	\$ 3,285,335	\$ 2,849,754

The Partnership invests in the structured loan and real estate participations of US originators. During the nine-month period ended September 30, 2024, the Partnership earned \$163,518 (2023 – \$251,847) of investment income from these participations.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

### 9. Demand credit facilities:

	September 30, 2024	December 31, 2023
(Unaudited)		
Bank of Montreal		
This revolving credit facility was granted and limited to the aggregate amount of \$100,000,000 as per an agreement amended January 10, 2024. It requires monthly interest payments at either the Canadian Dollar Offered Rate (CDOR) plus 3.4% per annum, or the Bank of Montreal prime loan rate plus 1.9% per annum. As at 30 September 2024, interest was 8.0%. (2023 - 9.1%) The loan is secured by the assets of the Partnership.	\$ 44,454,586	\$ 42,350,000
	44,454,586	42,350,000
Deferred finance fees	(299,878)	(369,149)
	\$ 44,154,708	\$ 41,980,851

### 10. Partners' capital:

The Partnership is authorized to issue an unlimited number of Limited Partnership units. All Classes of units participate in operating profits equally. Class A and B allocate 20% of their operating profits (subject to a 8% preferred return threshold) to the GP. Class C, F and I allocate 20% of their operating profits (subject to a 6% preferred return) to the GP.

Period ended, September 30, 2024	Class A		Class B		Class C		Class F		Class I		Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount	Number of units	Amount	Number of units	Amount	
Units - Beginning, December 31, 2023	63,980	\$ 388,723	1,749,805	\$ 17,792,545	4,756,579	\$ 37,717,988	817,083	\$ 6,533,251	57,722	\$ 476,884	\$ 62,909,391
Units Issued	799	6,815	15,942	135,985	799,898	6,658,131	886,709	7,491,027	1,521,873	13,181,152	27,473,110
Units Redeemed	-	-	(17,287)	(117,430)	(740,090)	(5,881,928)	(2,070)	(16,411)	(93,225)	(744,671)	(6,760,440)
	64,779	\$ 395,538	1,748,460	\$ 17,811,100	4,816,387	\$ 38,494,191	1,701,722	\$ 14,007,867	1,486,370	\$ 12,913,365	\$ 83,622,061

Period ended, September 30, 2023	Class A		Class B		Class C		Class F		Class I		Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount	Number of units	Amount	Number of units	Amount	
Units - Beginning, December 31, 2022	68,186	\$ 418,271	1,779,090	\$ 17,917,664	3,148,273	\$ 24,582,919	732,308	\$ 5,798,324	41,040	\$ 326,990	\$ 49,044,168
Units Issued	2,590	21,607	48,597	405,593	1,809,738	14,688,292	140,576	1,164,589	29,998	252,166	16,532,247
Units Redeemed	(7,585)	(57,838)	(55,817)	(406,463)	(288,086)	(2,287,730)	(72,029)	(565,656)	(4,381)	(33,980)	(3,351,667)
	63,191	\$ 382,040	1,771,870	\$ 17,916,794	4,669,925	\$ 36,983,481	800,855	\$ 6,397,257	66,657	\$ 545,176	\$ 62,224,748

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

**11. Other revenue:**

	Nine Months Ended	
	September 30, 2024	September 30, 2023
(Unaudited)		
Client fees	\$ 410,635	\$ 208,986
Other investment income	3,084,952	942,179
	<b>\$ 3,495,587</b>	<b>\$ 1,151,165</b>

Client fees are fees earned outside of the regular contractual cash flows of merchant advance and loan products. Other investment income relates to income earned on loans and advances of origination partners and limited partnership income from Venbridge LP, US Loan Participations, US Preferred Shares, and Other US Investments.

**12. Related party transactions:**

A management fee is paid to the General Partner for the provision of management services and oversight of the Partnership's business. The General Partner is entitled to be paid an annual amount equal to between 1% and 2% of total assets expressed on the Partnership's financial statements. The fee is payable on a monthly basis as determined by the General Partner. Following the organizational realignment dated July 1, 2019, the management fee is allocated between the General Partner and MGL, a corporation with directors in common with the General Partner. In addition, as part of the realignment, MGL is paid an origination and servicing fee for the provision of operational support services related to the origination, underwriting, and servicing of an existing and recurring book of merchant advances and merchant loans. Effective July 1, 2019, this fee is equal to 6.5% of cash collections from the Partnership's portfolio of merchant advances and merchant loans, plus originator commissions based on the Partnerships' standard third-party commission schedule.

In the normal course of business, the Partnership issues units to Merchant Opportunities Trust (MOT), an entity whose Trustee is a director of the Partnership. MOT is an investment vehicle which enables its unitholders to own units of the Partnership in registered investment accounts.

The following details the transactions which occurred between the General Partner and those related to them during the nine-month period ended September 30, 2024 and 2023.

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

**12. Related party transactions (continued):**

Management, origination and servicing fees paid to related parties were as follows:

	September 30, 2024	September 30, 2023
(Unaudited)		
Management fees		
Merchant Growth Ltd.	\$ 1,041,581	\$ 814,100
Merchant Opportunities Fund Ltd.	371,691	288,940
	\$ 1,413,272	\$ 1,103,040
Origination, servicing fees and other commissions		
Merchant Growth Ltd.	\$ 9,478,904	\$ 6,882,182

Limited Partnership unit transactions of related parties were as follows:

	September 30, 2024		September 30, 2023	
	Number of units	Amount	Number of units	Amount
(Unaudited)				
Units redeemed:				
Corporations controlled by related parties	21,285	\$ 178,819	124,098	\$ 1,028,228
Merchant Opportunities Trust	36,418	302,697	18,645	150,923
	57,703	\$ 481,516	142,743	\$ 1,179,151
Unit subscriptions:				
Current directors	2,791	\$ 23,162	1,425	\$ 11,895
Corporations controlled by related parties	392,397	3,311,109	452,891	3,713,969
Merchant Opportunities Trust	634,056	5,451,208	402,942	3,271,242
	1,029,244	\$ 8,785,479	857,258	\$ 6,997,106
LP distributions paid to:				
Current directors		\$ 23,162		\$ 11,895
Corporations controlled by related parties		1,828,636		1,065,907
Merchant Opportunities Fund Ltd.		1		1
Merchant Opportunities Trust		823,178		248,047
		\$ 2,674,977		\$ 1,325,850

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

**12. Related party transactions (continued):**

In the normal course of business, the Partnership advances and receives payment on funding balances it provides to related parties as detailed in notes 6 and 7. Funding advanced by the Partnership to related parties was as follows:

	September 30, 2024	September 30, 2023
(Unaudited)		
Net funding advanced (repaid):		
Merchant Growth Ltd.	\$ 1,277,142	\$ 1,213,768
Merchant Growth Asset Financing Ltd.	(259,171)	(34,370)
Merchant Opportunities Fund Ltd.	31,369	65,974
	<u>\$ 1,049,340</u>	<u>\$ 1,245,372</u>
Interest and preferred share income earned:		
Merchant Growth Ltd.	\$ 417,661	\$ 190,890
Merchant Growth Asset Financing Ltd.	164,829	166,630
Merchant Opportunities Fund Ltd.	12,786	11,831
	<u>\$ 595,276</u>	<u>\$ 369,351</u>

There were no debt fundings provided to the Partnership by related parties during the nine-month period ended September 30, 2024 and 2023.

There were no outstanding demand credit facilities outstanding provided by related parties as at September 30, 2024 and 2023.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

### 13. Fair value of financial instruments:

The table below sets out the fair values of financial instruments, including derivatives, using the valuation methods and assumptions referred to above. The table does not include assets and liabilities that do not meet the definitions of financial instruments.

The following tables summarize the valuation methods used to measure the fair value of financial instruments which are accounted for at fair value in the Partnership's consolidated statement of financial position. Fair value measurements are analyzed according to a fair value hierarchy of three levels, as outlined below. Observable inputs represent instances where market data is obtained from independent sources. Unobservable inputs are based on the Partnership's own internal assumptions.

- Level 1: Unadjusted quoted market prices in active markets for identical financial assets and financial liabilities.
- Level 2: Inputs, other than quoted prices included within Level 1, are observable for the financial asset or financial liability either directly or indirectly.
- Level 3: Entity level inputs which are not based upon market observable data.

	September 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
(Unaudited)				
Assets carried at fair value:				
Derivative financial instruments	\$ 218,830	\$ 218,830	\$ 510,252	510,252
Merchant advances receivables	68,253,046	68,253,046	60,042,877	60,042,877
Merchant loans and lines of credit	6,668,061	6,668,061	5,837,346	5,837,346
Loans and advances of Origination Partners	30,874,568	30,874,568	20,082,625	20,082,625
Investments	3,285,335	3,285,335	2,849,754	2,849,754
Assets carried at amortized cost:				
Cash	1,701,731	1,701,731	774,893	774,893
Other amounts receivable	1,184,454	1,184,454	442,100	442,100
Wholesale credit facilities	6,038,753	6,038,753	7,024,274	7,024,274
Due from related parties	6,174,745	6,174,745	4,869,026	4,869,026
	\$ 124,399,523	\$ 124,399,523	\$ 102,433,147	\$ 102,433,147
Liabilities carried at amortized cost:				
Demand credit facilities	\$ 44,154,708	\$ 44,154,708	\$ 41,980,851	\$ 41,980,851
Accounts payable and accrued liabilities	805,076	805,076	1,438,815	1,438,815
	\$ 44,959,784	\$ 44,959,784	\$ 43,419,666	\$ 43,419,666

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Interim Condensed Consolidated Financial Statements

For the periods ended September 30, 2024 and 2023

### 13. Fair value of financial instruments (continued):

The level in the fair value hierarchy within which the fair value is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

During the nine-month period ended September 30, 2024 and 2023, there were no transfers between Level 1, Level 2 and Level 3.

The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy:

September 30, 2024 (Unaudited)	Level 1	Level 2	Level 3
Financial assets:			
Fair value through profit or loss	\$ -	\$ 218,830	\$ 109,081,010
Amortized cost	-	15,099,683	-
	\$ -	\$ 15,318,513	\$ 109,081,010
Financial liabilities:			
Amortized cost	\$ -	\$ 44,959,784	\$ -
	\$ -	\$ 44,959,784	\$ -
December 31, 2023 (Unaudited)	Level 1	Level 2	Level 3
Financial assets:			
Fair value through profit or loss	\$ -	\$ 510,252	\$ 88,812,602
Amortized cost	-	13,110,293	-
	\$ -	\$ 13,620,545	\$ 88,812,602
Financial liabilities:			
Amortized cost	\$ -	\$ 43,419,666	\$ -
	\$ -	\$ 43,419,666	\$ -

Consolidated Financial Statements of

**MERCHANT OPPORTUNITIES FUND  
LIMITED PARTNERSHIP**

And Independent Auditor's Report thereon

Year ended December 31, 2023





**KPMG LLP**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone 604 691 3000  
Fax 604 691 3031

## **INDEPENDENT AUDITOR'S REPORT**

To the Partners of Merchant Opportunities Fund Limited Partnership

### ***Opinion***

We have audited the consolidated financial statements of Merchant Opportunities Fund Limited Partnership (the Partnership), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of income and comprehensive for the year then ended
- the consolidated statement of net assets attributable to the partners for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Partnership as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



*Merchant Opportunities Fund Limited Partnership*  
*Page 2*

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



*Merchant Opportunities Fund Limited Partnership*  
*Page 3*

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada  
April 12, 2024

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP


## Consolidated Statement of Financial Position


December 31, 2023, with comparative information for 2022

	Notes	2023	2022
<b>Assets</b>			
Cash		\$ 774,893	\$ 138,617
Other amounts receivable		442,100	126,964
Derivative financial instruments	5	510,252	-
Merchant advances receivable	6	60,042,877	47,714,184
Merchant loans and lines of credit	6	5,837,346	1,466,950
Loans and advances of origination partners	6	20,082,625	9,947,426
Wholesale credit facilities	7	7,024,274	5,798,382
Due from related parties	8	4,869,026	2,558,866
Investments	9	2,849,754	5,300,213
		<b>\$ 102,433,147</b>	<b>\$ 73,051,602</b>
<b>Liabilities</b>			
Derivative financial instruments	5	\$ -	\$ 54,741
Demand credit facilities	10	41,980,851	27,193,632
Accounts payable and accrued liabilities		1,438,815	685,206
Total liabilities (excluding net assets attributable to the Partners)		43,419,666	27,933,579
Net assets attributable to the Partners	11	\$ 59,013,481	\$ 45,118,023
Net assets attributable to the Partners represented by:			
General Partner		\$ 209,037	\$ 209,619
Limited Partners		58,804,444	44,908,404

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

DocuSigned by:  
  
 6E22F7AC87CA4C1... Director

DocuSigned by:  
  
 D3296FEACDA9474... Director

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Consolidated Statements of Income and Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Revenue:			
Merchant fees, interest and dividend income		\$ 28,068,085	\$ 16,193,062
Other revenue	12	1,804,252	1,017,568
		29,872,337	17,210,630
Direct costs:			
Sales commissions		6,340,626	3,708,321
Interest and financing costs		3,298,408	1,314,630
Collection costs		202,819	150,245
		9,841,853	5,173,196
Realized and unrealized losses (gains) of financial assets designated at fair value through profit and loss		4,772,607	1,785,520
Provision for credit losses		486,622	262,773
		5,259,229	2,048,293
Net revenue		14,771,255	9,989,141
Operating expenses:			
Management fees	13	1,533,321	905,356
Origination and Servicing Fees	13	7,644,976	4,465,464
Professional fees		102,441	121,301
Foreign exchange loss (gain)		108,260	(43,858)
		9,388,998	5,448,263
Net income and comprehensive income		\$ 5,382,257	\$ 4,540,878

The accompanying notes are an integral part of these consolidated financial statements.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Consolidated Statement Net Assets Attributable to the Partners

Year ended December 31, 2023, with comparative information for 2022

Year ended, December 31, 2023	Class A	Class B	Class C	Class F	Class I	General Partner	Total
Partners' capital,							
December 31, 2022	\$ 418,271	\$ 17,917,664	\$ 24,582,919	\$ 5,798,324	\$ 326,990	\$ -	\$ 49,044,168
Units issued	28,290	540,875	15,640,949	1,300,582	263,098	-	17,773,794
Units redeemed	(57,838)	(665,993)	(2,505,880)	(565,655)	(113,204)	-	(3,908,570)
Partners' capital ending	388,723	17,792,546	37,717,988	6,533,251	476,884	-	62,909,392
Accumulated capital (deficiency),							
Retained earnings, December 31, 2022	(281,621)	(4,475,582)	371,578	239,071	10,790	209,619	(3,926,145)
Net income	37,011	1,264,969	2,751,568	472,663	33,390	822,656	5,382,257
Redemption premium	(5,597)	(122,406)	(89,999)	(34,345)	(12,535)	-	(264,882)
Distributions paid	(44,561)	(1,193,004)	(2,470,709)	(517,881)	(37,748)	(823,238)	(5,087,141)
	(294,768)	(4,526,023)	562,438	159,508	(6,103)	209,037	(3,895,911)
Net assets attributable to the Partners	\$ 93,955	\$ 13,266,523	\$ 38,280,426	\$ 6,692,759	\$ 470,781	\$ 209,037	\$ 59,013,481

Year ended, December 31, 2022	Class A	Class B	Class C	Class F	Class I	General Partner	Total
Partners' capital,							
December 31, 2021	\$ 382,200	\$ 18,455,541	\$ 17,690,248	\$ 308,733	\$ -	\$ -	\$ 36,836,722
Units issued	36,071	627,951	11,847,471	5,508,551	346,600	-	18,366,644
Units redeemed	-	(1,165,828)	(4,954,800)	(18,960)	(19,610)	-	(6,159,198)
Partners' capital ending	418,271	17,917,664	24,582,919	5,798,324	326,990	-	49,044,168
Accumulated capital (deficiency),							
Retained earnings, December 31, 2021	(282,727)	(4,589,622)	319,746	14,867	-	127,915	(4,409,821)
Net income	42,937	1,400,378	1,982,482	461,138	25,843	628,100	4,540,878
Redemption premium	-	(155,402)	(300,827)	(1,256)	(787)	-	(458,272)
Distributions paid	(41,831)	(1,130,936)	(1,629,823)	(235,678)	(14,266)	(546,396)	(3,598,930)
	(281,621)	(4,475,582)	371,578	239,071	10,790	209,619	(3,926,145)
Net assets attributable to the Partners	\$ 136,650	\$ 13,442,082	\$ 24,954,497	\$ 6,037,395	\$ 337,780	\$ 209,619	\$ 45,118,023

The accompanying notes are an integral part of these consolidated financial statements.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Net Income	\$ 5,382,257	\$ 4,540,878
Operations:		
Adjustments for non-cash items:		
Realized losses (gains) of financial assets designated at fair value through profit and loss	4,772,607	1,785,520
Provision for credit losses	486,622	262,773
Written-off receivables and loans	(3,454,944)	(1,620,309)
Interest income	(2,028,336)	(1,115,606)
Interest expense	2,853,762	964,138
Changes in net working capital	(547,216)	(335,843)
Interest received	1,981,936	1,089,568
Interest paid	(2,614,768)	(902,276)
	6,831,920	4,668,843
Investments:		
Sale (purchase) of other loans and investments	627,457	(2,550,323)
Net funding of merchant advances receivable	(13,586,372)	(22,757,414)
Net funding of merchant loans and lines of credit	(4,352,064)	(649,507)
Net funding of loans and advances of origination partners	(10,453,559)	(7,461,575)
Net funding of wholesale credit facilities	(1,418,303)	(2,702,848)
Net proceeds preferred shares	1,823,002	92,576
Increase in due from related parties	(2,882,920)	(1,591,055)
	(30,242,759)	(37,620,146)
Financing:		
Net proceeds from borrowings	15,533,914	24,785,202
Limited Partner's capital raised	17,773,796	18,366,643
Limited Partner's capital redeemed	(4,173,454)	(6,617,468)
General and Limited Partner's distributions paid	(5,087,141)	(3,598,930)
	24,047,115	32,935,447
Increase (decrease) in cash	636,276	(15,856)
Cash, beginning of Period	138,617	154,473
Cash, end of Period	\$ 774,893	\$ 138,617

The accompanying notes are an integral part of these consolidated financial statements.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 1. Partnership information:

Merchant Opportunities Fund Limited Partnership (the "Partnership"), formerly known as Merchant Advance Capital Limited Partnership, was established under the laws of the Province of British Columbia on April 1, 2010. The Partnership is located in Canada and its registered office is 656 – 1500 West Georgia Street, Vancouver, British Columbia. The principal business activity of the Partnership is providing commercial capital funding to small and medium sized business in Canada.

Commencing on July 1, 2019, the General Partner of the Partnership is Merchant Opportunities Fund Ltd. (the "General Partner"). The General Partner manages the business, investments and administrative affairs of the Partnership.

Under the Fifteenth Amended and Restated Limited Partnership Agreement (the "LPA") between the General Partner and each of the Limited Partners (the "Limited Partners") dated June 27, 2022, the net income of the Partnership for a fiscal period shall be allocated as follows:

(a) Firstly, *pari passu* as follows:

- (i) to the class A Units and the class B Units, up to the amount of the positive difference, if any, between the preferred return (8%) of such class of unit in respect of all prior fiscal periods and the net income of the Partnership for such prior fiscal periods already allocated to such class of unit; and
- (ii) to the class C Units, class F Units and the class I Units, up to the amount of the positive difference, if any, between the class return (6%) in respect of all prior fiscal periods and the net income of the Partnership for such prior fiscal periods already allocated to such class of unit.

(b) Secondly, *pari passu* as follows:

- (i) to the class A units and the class B units, up to the amount of the preferred return of each such class of unit for such fiscal period; and
- (ii) to the class C Units, class F Units and the class I Units, up to the amount of the class return for such fiscal period.

(c) Thirdly, the amount of any remaining net income up to 25% of the aggregate amount allocated to the Limited Partners in such fiscal period pursuant to the foregoing sections as follows:

- (i) the portion of the net income earned from the following businesses of the Partnership: purchase of future receivables and business loans originated by Merchant Growth Ltd., Venbridge Limited Partnership, Merchant Growth Asset Financing Ltd. and Creditloans Canada Financing Inc. (collectively, the "Original Business"), shall be paid to Merchant Growth Ltd. to compensate such entity for past services to the Partnership; and
- (ii) the portion of net income earned from any other source other than those set out above shall be paid to the General Partner (the "New Business");



# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

---

### 1. Partnership information (continued):

- (d) Fourthly, any remaining net income shall be allocated (i) as to 80% thereof, to the class A units, class B units, class C units, class F units, and the class I units, and (ii) as to 20% thereof, to Merchant Growth and the General Partner in proportion to net income earned as between the Original Business and the New Business.

### 2. Basis of presentation:

- (a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the year ended December 31, 2023.

These consolidated financial statements have been authorized for issue by the Board on April 12, 2024.

- (b) Basis of measurement:

The consolidated financial statements have been prepared on the going concern basis, under the historical cost basis, except for financial assets and financial liabilities accounted for at fair value through profit or loss and all derivative financial instruments, which are measured at fair value.

- (c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

- (d) Use of estimates:

The preparation of consolidated financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Partnership's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

- (e) Basis of consolidation:

- (i) Subsidiaries:

The consolidated financial statements include the assets, liabilities, and the results of operations and cash flows of Merchant Opportunities Fund Limited Partnership and its wholly owned subsidiaries after the elimination of inter-company transactions and balances. As of December 31, 2023, the only wholly owned subsidiary is Merchant Opportunities Fund USA Ltd.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 2. Basis of presentation (continued):

#### (e) Basis of consolidation (continued):

##### (ii) Interest in equity - accounted investees:

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Partnership's investment is net of any accumulated impairment losses. The consolidated financial statements include the Partnership's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Partnership, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Partnership's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Partnership has an obligation or has made payments on behalf of the investee.

### 3. Material accounting policies:

#### (a) Cash and cash equivalents:

Cash and cash equivalents are comprised of demand cash deposits with banks and term deposits with a maturity less than three months. Cash and cash equivalents are carried at amortized cost, which is equivalent to fair value.

#### (b) Financial instruments:

##### (i) Recognition, classification and measurement:

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, fair value through OCI ("FVOCI"), or FVTPL.

A debt financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 3. Material accounting policies (continued):

#### (b) Financial instruments (continued):

##### (i) Recognition, classification and measurement (continued):

On initial recognition of an equity instrument that is not held for trading, the Partnership may irrevocably elect to classify the equity instrument at FVOCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

All financial liabilities are initially recorded at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Partnership may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the consolidated statement of income. For financial assets classified as measured at FVOCI or for financial assets for which an irrevocable election has been made to present subsequent changes in fair value in OCI, changes in fair value are recognized in the consolidated statement of comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense is calculated using the effective interest method and is recognized in the consolidated statement of income.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in the consolidated statement of income. For financial assets classified as measured at FVOCI or for financial assets for which an irrevocable election has been made to present subsequent changes in fair value in OCI, changes in fair value are recognized in the consolidated statement of comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense is calculated using the effective interest method and is recognized in the consolidated statement of income.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 3. Material accounting policies (continued):

#### (b) Financial instruments (continued):

##### (i) Recognition, classification and measurement (continued):

##### Business model assessment

The Partnership makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the asset is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

##### Contractual cash flow characteristics assessment

In assessing whether the contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition and 'interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Partnership considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

##### (ii) Reclassification of financial assets:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Partnership changes its business model for managing those assets. There were no changes to any of the Partnership's business models for the year ended December 31, 2023.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 3. Material accounting policies (continued):

#### (b) Financial instruments (continued):

##### (iii) Impairment:

Under IFRS 9 an expected credit loss ("ECL") model applies to amortized cost financial assets, debt investments at FVOCI, off-balance sheet loan commitments, and financial guarantee contracts.

The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment. The ECL model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and credit impaired assets (Stage 3).

##### Assessment of significant increase in credit risk

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Factors considered in the assessment include macroeconomic outlook, delinquency and monitoring, and management judgment. The importance and relevance of each specific macroeconomic factor depends on the loan portfolio, characteristics of the financial instruments, and the borrower. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement any gap.

For certain instruments with low credit risk at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default and the borrower has the ability to fulfill their contractual obligations both in the short and long term, including periods of adverse changes in the economic or business environment.

##### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls, which is the difference between the cash flows due in accordance with the contract and the cash flows expected to be received. The measurement of ECL is based primarily on the product of the following variables: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The LGD is an estimate of the amount that may not be recovered in the event of default. The EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur. These estimates are modelled based on historic data, current market conditions, and reasonable and supportable information about future economic conditions, where appropriate.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 3. Material accounting policies (continued):

#### (b) Financial instruments (continued):

##### (iii) Impairment (continued):

##### Credit-impaired and restructured financial assets

At each reporting date, the Partnership assesses whether financial assets measured at amortized cost is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

If the terms of a financial asset are renegotiated or modified, or a financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and how ECL is measured. If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow of the existing asset at the time of its derecognition.

##### Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

##### Write-off

Loan and debt securities are written off (either partially or in full) when there is no probable prospect of recovery.

##### (iv) Derecognition of financial instruments:

The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

#### (c) Investments:

The Partnership's investments included redeemable units in Venbridge Limited Partnership, and investments in the structured loan and real estate participations of US originators. Investments are classified as FVTPL and recorded at fair value with changes in fair value recognized in the consolidated statement of income.

#### (d) Income taxes:

The Partnership is not subject to income taxes. The income or loss for Canadian income tax purposes is allocated to the Limited Partners, pro-rata by units held, and is included in the taxable income of the partners in accordance with the provisions of the Income Tax Act (Canada).

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 3. Material accounting policies (continued):

(e) Foreign currency transactions:

Foreign currency transactions in the current period are translated using the exchange rate in effect at the date of the transaction. At each balance sheet date, monetary items denominated in a foreign currency and presented in the financial statements and are adjusted to reflect the exchange rate in effect at that date. At the time of settlement of these monetary items, any exchange gain or loss are recognized in net income for the current period.

(f) Related party transactions:

The Partnership's transactions with its related parties are in the nature of loans, both interest bearing and interest free, partners' capital, services and management fees. Related party transactions occur in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(g) Partnership units:

The Partnership classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The General Partnership units and the Limited Partnership units are presented as financial liabilities in accordance with IAS 32 – *Financial Instruments: Presentation*.

(h) Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Partnership and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Fee revenue on merchant advances receivable are recognized upon receipt of payments from the merchant. Interest and similar income and expense for all financial instruments measured at amortized cost and financial instruments designated at fair value through profit or loss, are recorded using the effective interest rate ("EIR") model, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

(i) Interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2023, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statement of the Partnership.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 3. Material accounting policies (continued):

#### (i) Interpretations not yet adopted (continued):

Effective January 1, 2023, the Partnership adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of “material”, rather than “significant”, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in this note in certain instances.

#### (j) New standards:

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2023, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statement of the Partnership.

Effective January 1, 2023, the Partnership adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of “material”, rather than “significant”, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in this note in certain instances.

### 4. Use of judgement and estimates:

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership’s accounting policies. Changes in assumptions may have a material impact on the financial statements in the period the assumptions changed.

The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

#### (a) Realized and unrealized losses or gains of financial assets designated at FVTPL:

The Partnership regularly reviews its financial assets designated at FVTPL to assess for changes in fair values. In determining whether unrealized gains or losses should be recorded in the consolidated statement of income, the Partnership makes judgments as to whether there is any observable data indicating changes in the estimated future cash flows from a financial asset has occurred. This evidence may include observable data indicating that there has been an adverse change in the payment or solvency status of a borrower or portfolio of borrowers, changes in market interest rates and other factors impacting estimated future cash flows.

#### (b) Fair value of financial instruments:

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. To the extent practical, models use only market observable data.



# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 4. Use of judgement and estimates (continued):

#### (c) Expected credit loss (ECL) allowance:

The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Credit impaired assets requires lifetime losses (Stage 3). The determination of a significant increase in credit risk takes into account many different factors and varies by loan product and risk segment, which requires experienced credit judgment.

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

The calculation of ECL includes explicit incorporation of forecasted economic conditions. The Partnership has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio.

### 5. Merchant advances receivable and loans:

The Partnership's advances receivable and loans represent amounts advanced to customers of the Partnership and loans acquired from other originators.

Included in merchant advances receivable and loans are assets in the form of co-investment interests with syndication and origination partners. The Partnership's interests in these assets have a carrying value of \$8,279,163 (2022 – \$4,744,272). The Partnership has significant merchant advances receivable and loans with 9322-0994 Quebec Inc. (dba Merchant Lenders). The Partnership's carrying values of assets with this party are \$3,283,237 (2022 – \$2,429,763).

The portfolio originated by the Partnership consists of merchant advances receivable, merchant loans and merchant lines of credit. The Partnership manages these assets as a single group. The ordinary operating cycle of advance receivables range from 6 to 15 months, while loan terms generally range from 9 to 18 months. Merchant lines of credit are revolving on demand debt facilities.

Loans and advances of origination partners represent proportionate tranches of personal loans and merchant advances originated by other lenders. Included in this balance are loans originated by Gnosis Labs Inc. (operating as Elective, formerly known as Wizebank) with a carrying value of \$14,682,559 (2022 – \$8,192,374), loans originated by Spring Financial Inc. with a carrying value of \$755,629 (2022 – \$605,438), advances originated by Itria Ventures with a carrying value of \$4,419,677 (2022 – nil), and loans originated by Spring Auto Finance Ltd., a corporation with a director in common with the General Partner, with a carrying value of \$266,232 (2022 – \$759,739). Loans have been acquired in the normal course of business and are measured at the exchange amount. The ordinary operating cycle of these loans range from 6 to 60 months.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 5. Merchant advances receivable and loans (continued):

#### (a) Loan maturities and rate sensitivities:

	Maturity term				Rate sensitivity			
December 31, 2023	Under 1 year	1 to 5 Years	Over 5 Years	Total	Floating	Fixed rate	Total	
Merchant loans and lines of credit	\$ 5,871,487	\$ -	\$ -	\$ 5,871,487	\$ -	\$ 5,871,487	\$ 5,871,487	
Allowance for credit losses	(34,141)	-	-	(34,141)	-	(34,141)	(34,141)	
Total loans - net of allowance for credit losses	\$ 5,837,346	\$ -	\$ -	\$ 5,837,346	\$ -	\$ 5,837,346	\$ 5,837,346	

	Maturity term				Rate sensitivity			
December 31, 2022	Under 1 year	1 to 5 Years	Over 5 Years	Total	Floating	Fixed rate	Total	
Merchant loans and lines of credit	\$ 1,519,423	\$ -	\$ -	\$ 1,519,423	\$ -	\$ 1,519,423	\$ 1,519,423	
Allowance for credit losses	(52,473)	-	-	(52,473)	-	(52,473)	(52,473)	
Total loans - net of allowance for credit losses	\$ 1,466,950	\$ -	\$ -	\$ 1,466,950	\$ -	\$ 1,466,950	\$ 1,466,950	

#### (b) Impaired loans:

A loan is considered impaired when an impairment trigger has occurred resulting in an expected measurable decrease in the estimated future cash flows of the loan. There were \$53,050 (2022 – nil) impaired Merchant loans and lines of credit as at December 31, 2023.

#### (c) Loans past due but not impaired:

A loan is considered past due but not impaired when a payment has not been received within 30 days of the contractual due date but management expects the immediate resumption of payments and does not otherwise believe a measurable decrease in the estimated future cash flows of the loan has occurred. There were no Merchant loans and lines of credit that are past due but not impaired as at December 31, 2023 and December 31, 2022.

### 6. Wholesale credit facilities:

Wholesale Credit Facilities represent demand revolving credit facilities and amortizing term facilities provided to partner originators and related parties. Facilities bear interest between 5% and 18% compounded monthly and are secured against a borrowing base of financial assets.

Included in this balance is a credit facility to 9322-0994 Quebec Inc. (dba Merchant Lenders) with a balance of \$1,977,552 (2022 – \$1,547,883), Kingsmen Capital with a balance of nil (2022 – \$85,175), Concorde Gate Financial Corp. (CGF) with a balance of \$4,150,458 (2022 – \$3,274,599), Certainty Software with a balance of \$226,214 (2022 – nil), and a credit facility to a corporation with a director in common with the Partnership, Merchant Growth Asset Financing Ltd. (MGAF), with a gross balance of \$4,499,918 (2022 – \$4,503,940). As of December 31, 2023, all facilities were revolving credit facilities payable on demand, with the exception of the CGF facility which amortizes to a maturity of July 1, 2025.

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

**6. Wholesale credit facilities (continued):**

During 2020, following the COVID-19 pandemic, management determined there was a material decrease in the estimated recovery value of the repossessed equipment assets of MGAF. As a result, management believes it is unlikely to recover all interest and principal due from the facility. As part of its risk management strategy, the Partnership refinanced the senior debt of MGAF, acquiring the senior secured position on MGAF's assets at a contractual interest rate of 5%. Management also classified the credit facility as Stage 3 – Credit Impaired and carries the facility net of a provision of \$3,827,187 (2022 – \$3,592,836) which reduces the facility's carrying value to \$672,731 (2022 – \$911,104). The carrying value is determined using a discounted cash flow analysis based on the estimated cash flows from the runoff of the existing portfolio net of expected credit losses, plus the estimated cash flows from realization of collateral, if any.

Management determined there has been no significant increase in credit risk on other wholesale credit facilities. Such wholesale credit facilities are held net of a provision for credit losses of \$27,680 (2022 – \$20,380) reducing those facilities to carrying value of \$6,351,543 (2022 – \$4,887,278).

**7. Due from (to) related parties:**

(a) Due from related parties:

	2023	2022
Due from Merchant Growth Ltd ("MGL").	\$ 4,714,408	\$ 2,425,852
Due from General Partner	161,498	134,965
	<b>\$ 4,875,906</b>	<b>\$ 2,560,817</b>

Due from related parties balance in the table above excludes provision for credit losses of \$6,880 (2022 – \$1,952). Total due from related parties net of provision credit losses as of December 31, 2023 is \$4,869,026 (2022 – \$2,558,866).

In the normal course of business, the Partnership transacts with its General Partner and other related entities under common control and/or directorship. In the year ended December 31, 2023, the Partnership earned interest and preferred share income of \$271,142 (2022 – \$81,428) from related party amounts with MGL.

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

**7. Due from (to) related parties (continued):**

## (a) Due from related parties (continued):

The table below further details the amounts due from MGL:

	2023	2022
Demand credit facility		
Credit facility was granted to MGL in 2018 and limited to an aggregate amount equal to the lower of 12% of MGL originations funded by the Partnership in the trailing 12 months or 6% of MGL originations funded by the Partnership over the trailing 24 months. The facility accrues interest monthly at a rate of 10% per annum.	\$ 3,251,753	\$ 968,125
Class C preferred shares		
Preferred shares were issued to the Partnership in exchange for certain assets which were sold to MGL as part of an organizational realignment. The preferred shares are redeemable on demand and pay dividend income at a rate of 4% per annum.	1,455,775	1,455,775
	<u>\$ 4,707,528</u>	<u>\$ 2,423,900</u>

**8. Investments:**

	2023	2022
Venbridge LP - Nil (2022 - 1,780,809) LP Units		
The LP units are redeemable at the Net Asset Value.	\$ -	\$ 1,823,002
US Loan Participations and Investments	2,849,754	3,477,211
	<u>\$ 2,849,754</u>	<u>\$ 5,300,213</u>

The Partnership funds loan originations of Venbridge Ltd. through its investment in Venbridge Limited Partnership units. During the year ended December 31, 2023, the Partnership received earnings distributions of \$330,060 (2022 – \$288,962) from its investment in Venbridge Limited Partnership units. In November 2023, as part of an orderly wind down of Venbridge operations, the Partnership redeemed its remaining units in Venbridge LP and was assigned the last remaining outstanding loan of the Venridge LP which it now recognizes under the Partnership's Wholesale Credit Facilities.

The Partnership invests in the structured loan and real estate participations of US originators. During the year ended December 31, 2023, the Partnership earned \$282,036 (2022 – \$223,454) of investment income from these participations.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 9. Demand credit facilities:

	2023	2022
Bank of Montreal		
This revolving credit facility was granted and limited to the aggregate amount of \$70,000,000 as per an agreement amended August 18, 2023. It requires monthly interest payments at either the Canadian Dollar Offered Rate (CDOR) plus 3.4% per annum, or the Bank of Montreal prime loan rate plus 1.9% per annum. As at 31 December 2023, interest was 9.1%. (2022 - 7.97%) The loan is secured by the assets of the Partnership.	\$ 42,350,000	\$ 27,415,311
	42,350,000	27,415,311
Deferred finance fees	(369,149)	(221,679)
	\$ 41,980,851	\$ 27,193,632

It is anticipated that the administrator of CDOR will stop publishing all interest periods of CDOR on June 28, 2024. The Bank of Montreal has provided for a transition of the Partnership credit facility pricing which will preserve a 3.4% spread above an equivalent benchmark based on an adjustment to the Canadian Overnight Repo Rate Average (CORRA).

### 10. Partners' capital:

The Partnership is authorized to issue an unlimited number of Limited Partnership units. All Classes of units participate in operating profits equally. Class A and B allocate 20% of their operating profits (subject to a 8% preferred return threshold) to the GP. Class C, F and I allocate 20% of their operating profits (subject to a 6% preferred return) to the GP.

	Class A		Class B		Class C		Class F		Class I		Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount	Number of units	Amount	Number of units	Amount	
2023											
Units - Beginning, December 31, 2022	68,186	\$418,271	1,779,090	\$17,917,664	3,148,273	\$24,582,919	732,308	\$5,798,324	41,040	\$326,990	\$49,044,168
Units Issued	3,379	28,290	64,569	540,875	1,925,982	15,640,949	156,804	1,300,582	31,284	263,098	17,773,794
Units Redeemed	(7,585)	(57,838)	(93,854)	(665,993)	(317,676)	(2,505,880)	(72,029)	(565,655)	(14,602)	(113,204)	(3,908,570)
	63,980	\$388,723	1,749,805	\$17,792,546	4,756,579	\$37,717,988	817,083	\$6,533,251	57,722	\$476,884	\$62,909,392
2022											
Units - Beginning, December 31, 2021	63,672	\$382,200	1,865,935	\$18,455,541	2,306,157	\$17,690,248	40,302	\$ 308,733	-	\$ -	\$36,836,722
Units Issued	4,514	36,071	78,519	627,951	1,513,034	11,847,471	694,557	5,508,551	43,556	346,600	18,366,644
Units Redeemed	-	-	(165,364)	(1,165,828)	(670,918)	(4,954,800)	(2,551)	(18,960)	(2,516)	(19,610)	(6,159,198)
	68,186	\$418,271	1,779,090	\$17,917,664	3,148,273	\$24,582,919	732,308	\$5,798,324	41,040	\$326,990	\$49,044,168

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

**11. Other revenue:**

	2023	2022
Client fees	\$ 296,359	\$ 222,930
Other investment income	1,507,893	794,638
	<u>\$ 1,804,252</u>	<u>\$ 1,017,568</u>

Client fees are fees earned outside of the regular contractual cash flows of merchant advance and loan products. Other investment income relates to income earned on loans and advances of origination partners and limited partnership income from Venbridge LP, US Loan Participations, US Preferred Shares, and Other US Investments.

**12. Related party transactions:**

A management fee is paid to the General Partner for the provision of management services and oversight of the Partnership's business. The General Partner is entitled to be paid an annual amount equal to between 1% and 2% of total assets expressed on the Partnership's financial statements. The fee is payable on a monthly basis as determined by the General Partner. Following the organizational realignment dated July 1, 2019, the management fee is allocated between the General Partner and MGL, a corporation with directors in common with the General Partner. In addition, as part of the realignment, MGL is paid an origination and servicing fee for the provision of operational support services related to the origination, underwriting, and servicing of an existing and recurring book of merchant advances and merchant loans. Effective July 1, 2019, this fee is equal to 6.5% of cash collections from the Partnership's portfolio of merchant advances and merchant loans, plus originator commissions based on the Partnerships' standard third-party commission schedule.

In the normal course of business, the Partnership issues units to Merchant Opportunities Trust (MOT), an entity whose Trustee is a director of the Partnership. MOT is an investment vehicle which enables its unitholders to own units of the Partnership in registered investment accounts.

The following details the transactions which occurred between the General Partner and those related to them during the year ended December 31, 2023 and 2022.

Management, origination and servicing fees paid to related parties were as follows:

	2023	2022
Management fees		
Merchant Growth Ltd.	\$ 1,129,721	\$ 683,598
Merchant Opportunities Fund Ltd.	403,600	221,758
	<u>1,533,321</u>	<u>905,356</u>
Origination, servicing fees and other commissions		
Merchant Growth Ltd.	\$ 9,594,400	\$ 5,777,609

**MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP**

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

**12. Related party transactions (continued):**

Limited Partnership unit transactions of related parties were as follows:

	2023		2022	
	Number of units	Amount	Number of units	Amount
Units redeemed:				
Corporations controlled by related parties	146,395	\$ 1,219,257	684,718	\$ 5,372,323
Merchant Opportunities Trust	20,979	169,786	17,414	135,538
	167,374	\$ 1,389,043	702,132	\$ 5,507,861
Unit subscriptions:				
Current directors	1,912	\$ 16,020	1,742	\$ 13,920
Corporations controlled by related parties	498,385	4,090,379	211,427	1,660,583
Merchant Opportunities Trust	439,891	3,575,662	70,768	554,415
	940,188	\$ 7,682,061	283,937	\$ 2,228,918
LP distributions paid to:				
Current directors		\$ 16,020		\$ 13,920
Corporations controlled by related parties		1,487,627		1,057,256
Merchant Opportunities Fund Ltd.		1		1
Merchant Opportunities Trust		378,751		214,252
		\$ 1,882,399		\$ 1,285,429

In the normal course of business, the Partnership advances and receives payment on funding balances it provides to related parties as detailed in notes 7 and 8. Funding advanced by the Partnership to related parties was as follows:

	2023	2022
Net funding advanced (repaid):		
Merchant Growth Ltd.	\$ 2,288,556	\$ 1,648,428
Merchant Growth Asset Financing Ltd.	(4,022)	(569,253)
Merchant Opportunities Fund Ltd.	26,532	5,893
	2,311,066	1,085,068
Interest and preferred share income earned:		
Merchant Growth Ltd.	271,142	81,428
Merchant Growth Asset Financing Ltd.	222,978	237,747
Merchant Opportunities Fund Ltd.	16,945	15,829
	\$ 511,065	\$ 335,004

In the normal course of business, the Partnership draws upon and pays down debt funding balances with corporations controlled by related parties. There were no debt fundings provided to the Partnership by related parties during the year ended December 31, 2023 and 2022.

There were no outstanding demand credit facilities outstanding provided by related parties as at December 31, 2023 and 2022.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 13. Financial risk management:

#### (a) Credit risk:

The maximum exposure to credit risk is represented by the carrying amount of the merchant advances receivable, merchant loans and lines of credit, loans and advances of origination partners, wholesale credit facilities, investments, and due from related party amounts. The carrying amount of these assets is \$101,216,154 (2022 – \$72,786,021), which represents the Partnership's maximum exposure to credit risk.

The Partnership provides advances and loans to hundreds of small and medium sized businesses pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity. The Partnership is subject to a higher level of credit risk due to the credit constrained nature of many of the Partnership's customers. Credit risk within the merchant portfolio is managed in accordance with policies and procedures that are intended to mitigate the probability of default through the use of proprietary risk scoring tools, augmented by the experience set of trained underwriters. These policies and procedures are evaluated monthly to maintain effectiveness and to update for prevailing credit conditions. The partnership also has a standard collection process in place in the event of payment default, which includes the liquidation of assets if satisfactory payment terms cannot be worked out with the customer.

The Partnership manages the credit risk related to its financing activities with origination partners and related parties by ensuring that at-risk amounts are over-collateralized by a borrowing base of financial assets or a robust near-term cash flow profile.

The Partnership regularly monitors the financial condition of its customers and borrowers and establishes a provision for credit losses for defaulted files based on specific estimates for expected recovery amounts and recovery timelines. The Partnership establishes a provision for credit losses for non-defaulted files based on its estimated probability of default and loss given default under both recessionary and non-recessionary economic conditions. In addition, the Partnership incorporates credit risk estimates in the measurement of debt instruments at FVTPL based on the estimated impact of credit risk on future cash flows.

The Partnership's credit risk related to its cash is mitigated through the use of reputable major financial institutions. The risk of non-performance of these instruments is remote.

#### (b) Liquidity risk:

Is the risk that the Partnership may not have cash available to satisfy financial liabilities as they become due. The Partnership manages liquidity risk by monitoring and reviewing both actual and forecasted cash flows, partners' drawings and by appropriately funding new Partnership units to match the maturity profile of its financial assets and financial liabilities.

Amounts payable under financial liabilities by remaining contractual maturities are as follows:

December 31, 2023	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Demand credit facilities	\$ 41,980,851	\$ -	\$ -	\$ -	\$ 41,980,851
Accounts payable and accrued liabilities	1,438,815	-	-	-	1,438,815
	\$ 43,419,666	\$ -	\$ -	\$ -	\$ 43,419,666



# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 13. Financial risk management (continued):

#### (b) Liquidity risk (continued):

December 31, 2022	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Derivative financial instruments	\$ 54,741	\$ -	\$ -	\$ -	\$ 54,741
Demand credit facilities	27,193,632	-	-	-	27,193,632
Accounts payable and accrued liabilities	685,206	-	-	-	685,206
	\$ 27,933,579	\$ -	\$ -	\$ -	\$ 27,933,579

#### (c) Market risk:

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all instruments traded in the market. Market risk comprises interest rate risk, currency risk, and other price risk. Market risk is managed through asset class diversification, diversification within each asset class, and credit quality constraints on investments.

##### (i) Interest rate risk:

Is the risk that the cash flow required to service liabilities of the Partnership will fluctuate with changes to the bank prime lending rate. The Partnership is exposed to interest rate risk to the extent that the floating rate may change on its demand credit facilities, a floating rate loan. The Partnership did not employ interest rate hedging activities during the year.

##### (ii) Currency risk:

Is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Partnership has \$7,269,432 (2022 – \$3,477,211) of U.S. dollar denominated investments at year-end. A 1% increase in the value of the Canadian dollar relative to the U.S. dollar would result in a \$72,694 foreign exchange loss (2022 – \$34,772). The Partnership uses foreign currency derivatives to hedge the majority of the risk associated with exchange rate fluctuations. Separately the Partnership holds foreign currency derivatives with a notional value of \$5,700,000 (2022 – \$3,270,000) under contracted agreements with certain individual unitholders to partially hedge the Canadian dollar exposure of their LP unit investment into U.S. dollars. The individual unitholders have contractually agreed to bear all costs and currency risk associated with these hedges. The Partnership does not apply hedge accounting.

##### (iii) Other price risk:

Other price risk is the risk that changes in market prices (other than those arising from interest rate risk or currency risk) will affect the Partnership's future cash flows or the fair value of the Partnership's financial instruments. The Partnership does not hold investments with significant exposures to other price risk.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 14. Fair value of financial instruments:

The table below sets out the fair values of financial instruments, including derivatives, using the valuation methods and assumptions referred to above. The table does not include assets and liabilities that do not meet the definitions of financial instruments.

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Assets carried at fair value:				
Derivative financial instruments	\$ 510,252	\$ 510,252	\$ -	-
Merchant advances receivables	60,042,877	60,042,877	47,714,184	47,714,184
Merchant loans and lines of credit	5,837,346	5,837,346	1,466,950	1,466,950
Loans and advances of Origination Partners	20,082,625	20,082,625	9,947,426	9,947,426
Investments	2,849,754	2,849,754	5,300,213	5,300,213
Assets carried at amortized cost:				
Cash	774,893	774,893	138,617	138,617
Other amounts receivable	442,100	442,100	126,964	126,964
Wholesale credit facilities	7,024,274	7,024,274	5,798,382	5,798,382
Due from related parties	4,869,026	4,869,026	2,558,866	2,558,866
	\$ 102,433,147	\$ 102,433,147	\$ 73,051,602	\$ 73,051,602
Liabilities carried at fair value:				
Derivative financial instruments	\$ -	\$ -	\$ 54,741	\$ 54,741
Liabilities carried at amortized cost:				
Demand credit facilities	41,980,851	41,980,851	27,193,632	27,193,632
Accounts payable and accrued liabilities	1,438,815	1,438,815	685,206	685,206
Due to related parties	-	-	-	-
	\$ 43,419,666	\$ 43,419,666	\$ 27,933,579	\$ 27,933,579

The following tables summarize the valuation methods used to measure the fair value of financial instruments which are accounted for at fair value in the Partnership's consolidated statement of financial position. Fair value measurements are analyzed according to a fair value hierarchy of three levels, as outlined below. Observable inputs represent instances where market data is obtained from independent sources. Unobservable inputs are based on the Partnership's own internal assumptions.

- Level 1: Unadjusted quoted market prices in active markets for identical financial assets and financial liabilities.
- Level 2: Inputs, other than quoted prices included within Level 1, are observable for the financial asset or financial liability either directly or indirectly.
- Level 3: Entity level inputs which are not based upon market observable data.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

### 14. Fair value of financial instruments (continued):

The level in the fair value hierarchy within which the fair value is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1, Level 2 and Level 3.

The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy:

December 31, 2023	Level 1	Level 2	Level 3
Financial assets:			
Fair value through profit or loss	\$ -	\$ 510,252	\$ 88,812,602
Amortized cost	-	13,110,293	-
	\$ -	\$ 13,620,545	\$ 88,812,602
Financial liabilities:			
Amortized cost	\$ -	\$ 43,419,666	\$ -
	\$ -	\$ 43,419,666	\$ -

December 31, 2022	Level 1	Level 2	Level 3
Financial assets:			
Fair value through profit or loss	\$ -	\$ -	\$ 62,961,823
Amortized cost	-	10,089,779	-
	\$ -	\$ 10,089,779	\$ 62,961,823
Financial liabilities:			
Fair value through profit or loss	\$ -	\$ 54,741	\$ -
Amortized cost	-	27,878,838	-
	\$ -	\$ 27,933,579	\$ -

The following table reconciles the Partnership's Level 3 fair value instruments:

	2023	2022
Balance at beginning of year	\$ 64,428,773	\$ 30,558,471
Purchases	29,156,436	35,655,822
Revaluation	(4,772,607)	(1,785,520)
Balance at end of year	\$ 88,812,602	\$ 64,428,773

A 10% change in the value of Level 3 financial instruments would result in a \$8,881,260 (2022 – \$6,296,182) impact.

# MERCHANT OPPORTUNITIES FUND LIMITED PARTNERSHIP

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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### 15. Capital management:

The Partnership's policy is to ensure a strong capital base so as to maintain the confidence of both unitholders and creditors. Management closely monitors the Limited Partnership returns as well as the outlook for new unit issuances and redemptions. The Partnership maintains a distribution policy equal to 8% of Partners' Capital per annum.

The board of directors seeks to maintain a prudently capitalized balance sheet which utilizes the appropriate amount of financial leverage in consideration of the risks of the underlying business. The board targets a net debt to total capital ratio of under 50%. As at the end of 2023 the net debt to total capital ratio was 40.9% (2022 – 37.5%).

Management targets a long-term Limited Partnership return of 10-12% and seeks to achieve this through continued asset growth combined with the prudent management of operating costs and credit losses.

Interim Consolidated Financial Statements of

**MERCHANT OPPORTUNITIES FUND LTD.**

September 30, 2024

**MERCHANT OPPORTUNITIES FUND LTD.**Interim Condensed Consolidated Statement of Financial Position  
(Unaudited)

	Notes	September 30, 2024	December 31, 2023
<b>Assets</b>			
Cash		\$ 141,895	\$ 145,923
Due from Merchant Growth Ltd.		348,700	225,507
		490,595	371,430
Investment in Merchant Opportunities Fund LP	5	9	9
		\$ 490,604	\$ 371,439
<b>Liabilities and Shareholders' Equity</b>			
Accounts Payable		\$ 5,354	\$ 37,386
Income Taxes Payable		92,748	35,818
Dividends Payable		199,625	-
Due to Merchant Opportunities Fund LP	5	192,867	161,498
		490,594	234,702
<b>Shareholders' Equity</b>			
Share capital	6	10	10
Retained Earnings		-	136,727
		10	136,737
		\$ 490,604	\$ 371,439

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:


 Director
 
 Director

**MERCHANT OPPORTUNITIES FUND LTD.**

Interim Condensed Consolidated Statement of Income and Comprehensive Income  
(Unaudited)

Three and nine months ended September 30, 2024, with comparative information for 2023

		Three Months Ended		Nine Months Ended	
	Notes	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue:					
Management fees	5	\$ 358,683	\$ 223,447	\$ 986,290	\$ 621,413
Professional fees		-	10,000	32,500	10,000
		358,683	233,447	1,018,790	631,413
Expenses:					
Exempt market dealer services administration		28,519	13,432	102,738	54,294
Fund administration expenses		74,247	67,322	268,954	219,647
Interest expense	5	4,650	4,531	12,786	11,831
		107,416	85,285	384,478	285,772
Income before Income Taxes		251,267	148,162	634,312	345,641
Income tax expense		51,642	17,780	97,607	42,316
Net income		\$ 199,625	\$ 130,382	\$ 536,705	\$ 303,325

The accompanying notes are an integral part of these consolidated financial statements.

# **MERCHANT OPPORTUNITIES FUND LIMITED LTD.**

Interim Condensed Consolidated Statement of Financial Position  
(Unaudited)

Period ended September 30, 2024	Common Shares	Amount	Surplus (Deficit)	Shareholders' Equity
	#	\$	\$	\$
Shareholders' equity, December 31, 2023	100	\$ 10	\$ 136,727	\$ 136,737
Dividends declared	-	-	(673,432)	(673,432)
Net income	-	-	536,705	536,705
Shareholders' equity ending	100	\$ 10	\$ -	\$ 10

Period ended September 30, 2023	Common Shares	Amount	Surplus (Deficit)	Shareholders' Deficiency
	#	\$	\$	\$
Shareholders' deficiency, December 31, 2022	100	\$ 10	\$ (9,525)	\$ (9,515)
Dividends declared	-	-	(293,800)	(293,800)
Net income	-	-	303,325	303,325
Shareholders' deficiency ending	100	\$ 10	\$ -	\$ 10

The accompanying notes are an integral part of these consolidated financial statements.



# **MERCHANT OPPORTUNITIES FUND LTD.**

Interim Condensed Consolidated Statement of Cash Flows  
(Unaudited)

Three and nine months ended September 30, 2024, with comparative information for 2023

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net Income (Loss)	\$ 199,625	\$ 130,382	\$ 536,705	\$ 303,325
<b>Operating activities</b>				
Interest expense	4,650	4,531	12,786	11,831
Change in accounts receivable	(57,203)	(39,227)	(123,192)	(102,694)
Change in accounts payable	(6,617)	34,392	167,592	(166,072)
Change in income taxes payable	10,964	17,780	56,930	(9,725)
Change in prepaid expenses	-	-	-	6,515
	(48,206)	17,476	114,116	(260,145)
<b>Financing activities</b>				
Payment of dividends	(199,625)	(130,383)	(673,432)	(293,800)
Loan from Merchant Opportunities Fund LP - net	52,437	30,812	18,583	54,143
	(147,188)	(99,571)	(654,849)	(239,657)
Increase (Decrease) in cash	4,231	48,287	(4,028)	(196,478)
Cash, beginning of period	137,664	97,826	145,923	342,591
Cash, end of period	\$ 141,895	\$ 146,113	\$ 141,895	\$ 146,113

The accompanying notes are an integral part of these consolidated financial statements.

# **MERCHANT OPPORTUNITIES FUND LTD.**

## Notes to Interim Consolidated Condensed Financial Statements

For the period ended September 30, 2024

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### **1. Nature of operations**

Merchant Opportunities Fund Ltd. (the “Company”) was incorporated on May 22, 2019 under the Companies Act of British Columbia. The Company is the general partner of Merchant Opportunities Fund Limited Partnership. The principal business activity of Merchant Opportunities Fund Limited Partnership is providing commercial capital funding to small and medium sized business in Canada.

The head office and principal address of the Company is located at 200 - 171 Water Street, Vancouver, British Columbia, V6B 1A7. The registered and records office of the Company is 300 – 10991 Shellbridge Way, Richmond, British Columbia, V6X 3C6.

These financial statements have been approved and authorized for issue by the Board of Directors on October 29, 2024.

### **2 Basis of presentation and statement of compliance**

#### **(a) Statement of compliance:**

The unaudited interim condensed consolidated financial statements for the three-month period ended September 30, 2024 were prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, using the same accounting policies and estimates as those used in the Company’s most recent audited annual consolidated financial statements, except as described in note 3. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company’s audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

#### **(b) Basis of consolidation:**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary: Merchant Opportunities Fund Services Ltd (previously Merchant Growth EMD Services Ltd). All intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

#### **(c) Functional and presentation currency:**

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

#### **(d) Use of estimates:**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

# **MERCHANT OPPORTUNITIES FUND LTD.**

## **Notes to Interim Consolidated Condensed Financial Statements**

For the period ended September 30, 2024

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### **3. Significant accounting policies:**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended, December 31, 2023.

### **4. Judgements and estimates**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Judgements, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements, estimates and assumptions.

#### **Judgements**

Management was required to evaluate whether the Company, as general partner, has control and should therefore consolidate the financial information of Merchant Opportunities Fund LP (Note 5). The IFRS definition of control requires exposure to variable returns. Management determined that the Company is not sufficiently exposed to the variable returns of Merchant Opportunities Fund LP as its capital investment was nominal and its management fees and profit share are commensurate with its provision of management and oversight. Therefore, the financial information of Merchant Opportunities Fund LP is not included in these consolidated financial statements. The Company has accounted for its investment as a financial instrument in accordance with IFRS 9.

#### **Estimates**

The effect of a change in an accounting estimate is recognized prospectively by including it in earnings in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

# **MERCHANT OPPORTUNITIES FUND LTD.**

## Notes to Interim Consolidated Condensed Financial Statements

For the period ended September 30, 2024

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### **5. Investment in Merchant Opportunities Fund LP**

The Company is the general partner of Merchant Opportunities Fund LP (the “Partnership”). The Company manages the business, investments and administrative affairs of the Partnership. Prior to July 1st, 2019, the general partner of the Partnership was Merchant Advance Capital Ltd., now known as Merchant Growth Ltd. (the “Retired General Partner”).

The Company and the Retired General Partner are entitled to be paid an aggregate annual amount equal to between 1% and 2% of total assets expressed on the Partnership’s financial statements (the “Asset Management Fee”).

The parties agree that the Asset Management Fee shall be allocated as follows:

- Firstly, all costs incurred by the Company associated with securities compliance, fund raising, and general operating costs of the Partnership shall be deducted from the Asset Management Fee and shall be paid to the Company;
- Secondly, the portion of the remaining Asset Management Fee earned from the original business (the portion of Net Income earned from the purchase of future receivables and business loans originated by the Retired General Partner, Venbridge Limited Partnership, Merchant Growth Asset Financing Ltd. and Credit loans Canada Financing Inc.) shall be paid to the Retired General Partner; and
- Thirdly, the portion of the remaining Asset Management Fee earned from any new business (the portion of Net Income earned from any other source other than those set out above) shall be paid to the Company.

As the general partner, the Company has unlimited liability for the debts, liabilities and obligations of the Partnership to the extent of its assets.

For the three-month period ended September 30, 2024, the Company recognized a management fee of \$358,683. (2023 - \$223,447).

During the three-month period ended September 30, 2024, the Partnership advanced the Company a total of \$52,438 (2023 – advanced a total of \$30,812). This amount is unsecured with no fixed terms of repayment and carried interest at 10% per annum. During the three-month period ended September 30, 2024, the Company recorded interest of \$4,650 (2023 – \$4,531) on this advance for a total balance owing of \$192,867.

## **MERCHANT OPPORTUNITIES FUND LTD.**

### Notes to Interim Consolidated Condensed Financial Statements

For the period ended September 30, 2024

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#### **6. Share Capital**

##### **(a) Authorized share capital**

Unlimited number of Class A voting common shares without par value  
Unlimited number of Class B voting common shares without par value  
Unlimited number of Class C voting common shares without par value  
Unlimited number of Class D non-voting preferred shares with par value of \$1 per share  
Unlimited number of Class E non-voting preferred shares with par value of \$0.01 per share  
Unlimited number of Class F non-voting preferred shares with par value of \$100 per share

##### **(b) Issued share capital**

No common or preferred shares were issued in the three-month period ended September 30, 2024 (2023 – nil).

##### **(c) Dividends paid**

For the three-month period ended September 30, 2024, the Company paid total dividends of \$199,265 (2023 - \$130,383).

Annual Consolidated Financial Statements of

**MERCHANT OPPORTUNITIES FUND LTD.**

December 31, 2023



**DALE MATHESON CARR-HILTON LABONTE LLP**  
 CHARTERED PROFESSIONAL ACCOUNTANTS

# Independent Auditor's Report

To the Shareholders of Merchant Opportunities Fund Ltd.

## Opinion

We have audited the consolidated financial statements of Merchant Opportunities Fund Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

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

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

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

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

### Vancouver

1500 - 1140 West Pender St.  
 Vancouver, BC V6E 4G1  
 604.687.4747

### Surrey

200 - 1688 152 St.  
 Surrey, BC V4A 4N2  
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### Tri-Cities

700 - 2755 Lougheed Hwy  
 Port Coquitlam, BC V3B 5Y9  
 604.941.8266

### Victoria

320 - 730 View St.  
 Victoria, BC V8W 3Y7  
 250.800.4694

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

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

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

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



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, BC

April 29, 2024



**MERCHANT OPPORTUNITIES FUND LTD.****Consolidated Statement of Financial Position****Presented in Canadian Dollars**

<b>As at</b>	<b>Notes</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 145,923	\$ 342,591
Prepaid Expenses		-	6,515
Due from Merchant Growth Ltd.	6	225,507	129,200
		371,430	478,306
Investment in Merchant Opportunities Fund LP	5	9	9
		\$ 371,439	\$ 478,315
<b>Liabilities</b>			
<b>Current</b>			
Accounts Payable		\$ 73,204	\$ 76,684
Dividends Payable		-	276,180
Due to Merchant Opportunities Fund LP	5	161,498	134,966
		234,702	487,830
<b>Shareholders' equity</b>			
Share capital	7	10	10
Retained Earnings (Deficit)		136,727	(9,525)
		136,737	(9,515)
		\$ 371,439	\$ 478,315

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

David Gens Director

**MERCHANT OPPORTUNITIES FUND LTD.****Consolidated Statement of Income and Comprehensive Income****Presented in Canadian Dollars**

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Revenue:			
Management fees	5	\$ 872,370	\$ 500,001
Professional fees		10,000	30,000
Other revenue		-	234,735
		882,370	764,736
Expenses:			
Bank charges		-	37
Exempt market dealer services administration		81,712	79,262
Fund administration expenses		306,888	185,325
Interest expense	5	16,945	15,829
Payroll expense		-	54,584
Legal and professional expenses		-	25,911
		405,545	360,948
Income before Income Taxes		476,825	403,788
Income tax expense	8	36,773	56,428
Net income		\$ 440,052	\$ 347,360

The accompanying notes are an integral part of these consolidated financial statements.

**MERCHANT OPPORTUNITIES FUND LTD.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Presented in Canadian Dollars**

Year ended December 31, 2023	Common Shares		Amount		Retained Earnings (Deficit)	Shareholders' Equity
	#		\$		\$	\$
Balance, December 31, 2022	100	\$	10	\$	(9,525)	\$ (9,515)
Dividends declared	-		-		(293,800)	(293,800)
Net income	-		-		440,052	440,052
Balance, December 31, 2023	100	\$	10	\$	136,727	\$ 136,737

Year ended December 31, 2022	Common Shares		Amount		Retained Earnings (Deficit)	Shareholders' Equity
	#		\$		\$	\$
Balance, December 31, 2021	100	\$	10	\$	(36,364)	\$ (36,354)
Dividends declared	-		-		(320,521)	(320,521)
Net income	-		-		347,360	347,360
Balance, December 31, 2022	100	\$	10	\$	(9,525)	\$ (9,515)

The accompanying notes are an integral part of these consolidated financial statements.

**MERCHANT OPPORTUNITIES FUND LTD.****Consolidated Statement of Cash Flows****Presented in Canadian Dollars**

	Year ended December 31, 2023	Year ended December 31, 2022
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net Income	\$ 440,052	\$ 347,360
Interest expense	16,945	15,829
Changes in non-cash working capital		
Change in due from Merchant Growth Ltd.	(96,307)	(85,096)
Change in accounts payable	(3,480)	31,026
Change in prepaid expenses	6,515	(6,515)
	363,725	302,604
<b>Financing activities</b>		
Payment of dividends	(569,980)	(44,341)
Loan from Merchant Opportunities Fund LP - net	9,587	(9,936)
	(560,393)	(54,277)
Increase (Decrease) in cash	(196,668)	248,327
Cash, beginning of period	342,591	94,264
Cash, end of period	\$ 145,923	\$ 342,591

The accompanying notes are an integral part of these consolidated financial statements.

# **MERCHANT OPPORTUNITIES FUND LTD.**

Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(Presented in Canadian Dollars)

---

## **1. Nature of operations**

Merchant Opportunities Fund Ltd. (the "Company") was incorporated on May 22, 2019 under the Companies Act of British Columbia. The Company is the general partner of Merchant Opportunities Fund Limited Partnership. The principal business activity of Merchant Opportunities Fund Limited Partnership is providing commercial capital funding to small and medium sized business in Canada.

The head office and principal address of the Company is located at 200 - 171 Water Street, Vancouver, British Columbia, V6B 1A7. The registered and records office of the Company is 300 – 10991 Shellbridge Way, Richmond, British Columbia, V6X 3C6.

These financial statements have been approved and authorized for issue by the Board of Directors on April 29, 2024.

## **2 Basis of presentation and statement of compliance**

### **(a) Statement of compliance:**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### **(b) Basis of consolidation:**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary: Merchant Opportunities Fund Services Ltd. (formerly Merchant Growth EMD Services Ltd). All intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

### **(c) Functional and presentation currency:**

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **(d) Use of estimates:**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

## **3 Material accounting policy information:**

### **(a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash which are subject to an insignificant risk of

# MERCHANT OPPORTUNITIES FUND LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(Presented in Canadian Dollars)

## 3. Material accounting policy information (continued):

changes in value. Short term deposits consist of guaranteed investment certificates with maturities of greater than 90 days.

### (b) Financial instruments

The following table shows the classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial asset/liability	Classification
Cash	Amortized Cost
Due from Merchant Growth Ltd	Amortized Cost
Merchant Opportunities Fund LP Units	Fair value through profit or loss
Accounts payable and accruals	Amortized Cost
Dividends payable	Amortized Cost
Due to Merchant Opportunities Fund LP	Amortized Cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

### *Derecognition*

#### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

#### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Trust also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

### (c) Share capital

Share capital represents the nominal value of shares that have been issued. Any transaction costs associated with the issuing of units are deducted from unit premium, net of any related income tax benefits.

### (d) Income taxes

Tax expense recognized in net income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from net earnings in the financial statements.

# **MERCHANT OPPORTUNITIES FUND LTD.**

Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(Presented in Canadian Dollars)

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## **3. Material accounting policy information (continued):**

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Deferred tax assets are recognized if significant, to the extent that it is probable that they will be able to be utilized against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit.

Changes in deferred tax assets or liabilities are recognized as a component of tax recoveries or expense in net loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

### **(e) Revenue recognition**

Asset management fees are recognized as earned in accordance with the limited partnership agreement. Professional fees are recognized as earned.

## **4. Judgements and estimates**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Judgements, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements, estimates and assumptions.

### **Judgements**

Management was required to evaluate whether the Company, as general partner, has control and should therefore consolidate the financial information of Merchant Opportunities Fund LP (Note 5). The IFRS definition of control requires exposure to variable returns. Management determined that the Company is not sufficiently exposed to the variable returns of Merchant Opportunities Fund LP as its capital investment was nominal and its management fees and profit share are commensurate with its provision of management and oversight. Therefore, the financial information of Merchant Opportunities Fund LP is not included in these consolidated financial statements. The Company has accounted for its investment as a financial instrument in accordance with IFRS 9.

# **MERCHANT OPPORTUNITIES FUND LTD.**

Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(Presented in Canadian Dollars)

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## **4. Judgements and estimates (continued):**

### **Estimates**

The effect of a change in an accounting estimate is recognized prospectively by including it in earnings in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

## **5. Investment in Merchant Opportunities Fund LP**

The Company is the general partner of Merchant Opportunities Fund LP (the “Partnership”). The Company manages the business, investments and administrative affairs of the Partnership. Prior to July 1st, 2019, the general partner of the Partnership was Merchant Advance Capital Ltd., now known as Merchant Growth Ltd. (the “Retired General Partner”).

The Company and the Retired General Partner are entitled to be paid an aggregate annual amount equal to between 1% and 2% of total assets expressed on the Partnership’s financial statements (the “Asset Management Fee”).

The parties agree that the Asset Management Fee shall be allocated as follows:

- Firstly, all costs incurred by the Company associated with securities compliance, fund raising, and general operating costs of the Partnership shall be deducted from the Asset Management Fee and shall be paid to the Company;
- Secondly, the portion of the remaining Asset Management Fee earned from the original business (the portion of Net Income earned from the purchase of future receivables and business loans originated by the Retired General Partner, Venbridge Limited Partnership, Merchant Growth Asset Financing Ltd. and Credit loans Canada Financing Inc.) shall be paid to the Retired General Partner; and
- Thirdly, the portion of the remaining Asset Management Fee earned from any new business (the portion of Net Income earned from any other source other than those set out above) shall be paid to the Company.

As the general partner, the Company has unlimited liability for the debts, liabilities and obligations of the Partnership to the extent of its assets.

For the year ended December 31, 2023, the Company recognized a management fee of \$872,370 (2022 - \$500,001).

During the year ended December 31, 2023, the Partnership advanced the Company a total of \$9,587 (2022 – repaid a total of \$9,936). This amount is unsecured with no fixed terms of repayment and carried interest at 10% per annum. During the year ended December 31, 2023, the Company recorded interest of \$16,945 (2022 – \$15,829) on this advance for a total balance owing of \$161,498 (2022 - 134,966).



**MERCHANT OPPORTUNITIES FUND LTD.**

Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(Presented in Canadian Dollars)

**6. Due from Merchant Growth Ltd.**

In the normal course of business, Merchant Growth Ltd., (MGL) in its capacity as the Retired General Partner of the Partnership, collects and remits Asset Management Fees payable from the Partnership to the Company pursuant to the allocation described in note 5. For the year ended December 31, 2023, \$225,497 (2022 - \$129,200) of Asset Management Fees were payable from MGL. No interest or other income is owed or paid between MGL and the Company in respect of these remittances.

**7. Share Capital****(a) Authorized share capital**

Unlimited number of Class A voting common shares without par value  
 Unlimited number of Class B voting common shares without par value  
 Unlimited number of Class C voting common shares without par value  
 Unlimited number of Class D non-voting preferred shares with par value of \$1 per share  
 Unlimited number of Class E non-voting preferred shares with par value of \$0.01 per share  
 Unlimited number of Class F non-voting preferred shares with par value of \$100 per share

**(b) Issued share capital**

At December 31, 2023 and 2022 there were 50 Class A, 20 Class B and 30 Class C voting common shares outstanding.

No common or preferred shares were issued in the twelve-month period ended December 31, 2023 (2022 – nil).

**(c) Dividends paid**

For the year ended December 31, 2023, the Company paid dividends of \$109,400 (2022 - \$127,760) to Class A, \$88,840 (2022 - \$86,101) to Class B and \$95,640 (\$106,660) to Class C voting common shares.

**8. Income Taxes**

A reconciliation of the expected income tax expense to the actual income tax expense is as follows:

	<b>2023</b>	2022
Net income before income taxes	\$ 476,825	\$ 403,788
Expected income taxes at the statutory rate of 11%	52,451	44,000
Other permanent difference	-	(6,912)
Change in valuation allowance	-	14,000
Prior year tax expense adjustment	-	5,340
Recognition of loss carry forward from previous years	(15,678)	-
Income tax expense	\$ 36,773	\$ 56,428

# **MERCHANT OPPORTUNITIES FUND LTD.**

Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(Presented in Canadian Dollars)

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## **9. Financial instrument risk management**

### *Credit risk*

Credit risk is the risk of loss resulting from failure of a borrower or counter party to honour its financial or contractual obligation to the Company. Credit risk primarily arises from cash which is on deposit with major Canadian banks and therefore considered nominal.

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company is exposed to this risk mainly in respect of its payables. The Company's management oversees the Company's liquidity risk to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due.

### *Market risk*

The Company is not exposed to significant market risk.

### *Capital management*

The Company defines capital as shareholders' equity. The capital management objectives of the Company are to maintain adequate capital resources to support its working capital needs, business and growth strategy, and build long term unitholder value.

### *Fair values*

The carrying value of the Company's financial assets and liabilities approximate fair value as they have either a short period of time to maturity or are due on demand.

Interim Condensed Financial Statements of

**MERCHANT OPPORTUNITIES TRUST**

September 30, 2024

# MERCHANT OPPORTUNITIES TRUST

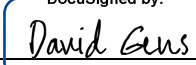
## Interim Condensed Statement of Financial Position

(Unaudited)

	Notes	September 30, 2024	December 31, 2023
<b>Assets</b>			
Cash		\$ 20	\$ 20
Accounts receivable	5	34	34
Merchant Opportunities Fund LP units	6	11,845,982	6,630,947
		\$ 11,846,036	\$ 6,631,001
<b>Liabilities</b>			
Accounts payable and accrued liabilities		\$ 44	\$ 44
Trust Units Outstanding	7	11,845,982	6,630,947
		11,846,026	6,630,991
<b>Equity</b>			
Funds held in trust		10	10
		10	10
		\$ 11,846,036	\$ 6,631,001

The accompanying notes are an integral part of these interim condensed financial statements.

Approved on behalf of the Trustee:

DocuSigned by:  
  
 6E22F7AC87CA4C1... Trustee

MERCHANT OPPORTUNITIES TRUST

Interim Condensed Statement of Income  
(Unaudited)

Three and six months ended September 30, 2024, with comparative information for 2023

		Three Months Ended		Nine Months Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	Notes				
Revenue:					
Realized and unrealized gain (loss) on					
Merchant Opportunities Fund LP units	6	\$ 366,012	\$ 159,199	\$ 891,698	\$ 412,584
Change in fair value of trust units		(366,012)	(159,199)	(891,698)	(412,584)
Net and comprehensive income		\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these interim condensed financial statements.

## MERCHANT OPPORTUNITIES TRUST

### Interim Condensed Statement of Changes in Equity

(Unaudited)

Period ended September 30, 2024

	Funds held in Trust	
Balance, December 31, 2023	\$	10
Net and comprehensive income		-
Equity	\$	10

Period ended September 30, 2023

	Funds held in Trust	
Balance, December 31, 2022	\$	10
Net and comprehensive income		-
Equity	\$	10

The accompanying notes are an integral part of these financial statements.

# MERCHANT OPPORTUNITIES TRUST

## Interim Condensed Statement of Cash Flows

(Unaudited)

Three and six months ended September 30, 2024, with comparative information for 2023

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating activities:				
Net income	\$ -	\$ -	\$ -	\$ -
Adjustment for non-cash items:				
Realized and unrealized loss (gain) on				
Merchant Opportunities Fund LP units	(366,012)	(159,199)	(891,698)	(412,584)
Increase in fair value of trust units	366,012	159,199	891,698	412,584
Change in accounts receivable	-	-	-	-
Change in accounts payable	-	-	-	-
	-	-	-	-
Investment activities:				
Net Investment in Merchant Opportunities Fund LP units	(139,229)	(114,614)	(4,323,336)	(2,872,273)
	(139,229)	(114,614)	(4,323,336)	(2,872,273)
Financing activities:				
Proceeds from issuance of trust units	482,763	232,920	5,451,208	3,271,242
Distribution of trust units	(264,643)	(118,306)	(825,175)	(248,047)
Redemption of trust units	(78,891)	-	(302,697)	(150,923)
	139,229	114,614	4,323,336	2,872,273
Increase (decrease) in cash	-	-	-	(0)
Cash, beginning of period	20	20	20	20
Cash, end of period	\$ 20	\$ 20	\$ 20	\$ 20

The accompanying notes are an integral part of these financial statements.

# **MERCHANT OPPORTUNITIES TRUST**

## **Notes to the Financial Statements**

For the period ended September 30, 2024

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### **1. Nature of operations**

Merchant Opportunities Trust (the "Trust") was governed by the Declaration of Trust on January 9, 2020. The Initial Contribution was made to the Initial Trustee by the Settlor on the date of the declaration. The Trust is an unincorporated, open-ended limited purpose trust. The Trust was established for the sole purposes of investing in, and to acquire, Merchant Opportunities Fund Limited Partnership Units.

The principal office of the Trust is located at Suite 200 – 171 Water Street, Vancouver, British Columbia, V6B 1A7.

These financial statements have been approved and authorized for issue by the Trustee on November 1<sup>st</sup>, 2024.

### **2 Basis of presentation and statement of compliance**

#### **(a) Statement of compliance:**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### **(b) Functional and presentation currency:**

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

#### **(c) Use of estimates:**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Trust's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.



# MERCHANT OPPORTUNITIES TRUST

## Notes to the Financial Statements

For the period ended September 30, 2024

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### 3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended, December 31, 2023.

### 4. Judgements and estimates

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets and liabilities. Judgements, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements, estimates and assumptions.

The critical judgment required in applying the accounting policies that had the most significant effect on the amounts recognized in the combined financial statements was the classification of the Trust units. In determining whether these should be classified as liabilities or equity, management has assessed whether the Trust units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32, Financial Instruments: Presentation, which permit classification of a puttable instrument as equity have been satisfied. The Trust Units have been determined to be classified as a liability.

The effect of a change in an accounting estimate is recognized prospectively by including it in earnings in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

# MERCHANT OPPORTUNITIES TRUST

## Notes to the Financial Statements

For the period ended September 30, 2024

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### 5. Accounts Receivable

On January 9, 2020, the Trust entered into a Funding Agreement. Pursuant to the Funding Agreement, Merchant Opportunities Fund Ltd. ("MOF") agreed to cover all costs associated with the formation, maintenance, capital raises and other costs of the Trust other than the costs covered by Merchant Opportunities Fund Limited Partnership ("MOF LP").

MOF LP agreed to cover all costs associated with the annual audit of the Trust.

For the nine-month period ended September 30, 2024, MOF reimbursed or paid trust expenses totaling \$0 (2023 – \$5,446). As at September 30, 2024, the trust is owed \$34 (2023 – \$34) for bank charges to be reimbursed by MOF.

### 6. Investment in Merchant Opportunities Fund LP Units

In the normal course of business, the Trust purchases and redeems units of Merchant Opportunities Fund Limited Partnership ("MOF LP"). For the nine-month period ended September 30, 2024, the Trust purchased 634,056 units (2023 – 402,924) and redeemed 36,418 units (2023 – 18,645) of MOF LP. As at June 30 2024, the fair value of the Trust's ownership in units totaled \$11,845,982 (2023 – \$6,306,464), representing ownership of 29,680 Class B MOF LP units at a net asset value of \$8.59 per unit, 754,637 Class C MOF LP units at a net asset value of \$8.53 per unit, 89,644 Class F MOF LP units at a net asset value of \$8.56 per unit, and 510,667 Class I MOF LP units at a new asset value of \$8.59 per unit. During the period, the Trust had realized and unrealized gains of \$366,012 (2023 – \$159,199) from changes in the fair value of MOF LP units.

### 7. Unit capital

#### (a) Authorized unit capital

The Trust shall initially have one class of Units which shall be called Class "1" Units. No future class of Unit shall rank ahead of the Class "1" Units with respect to voting rights. The Trust has since authorized a Class "2", Class "F.T", and Class "I.T." Unit which maintain equivalent voting rights to Class "1" Units.

The Trust is authorized to issue an unlimited number of Units of any class or series.

#### (b) Issued unit capital

For the nine-month period ended September 30, 2024, 634,056 Trust units were issued for proceeds of \$5,451,208 (2023 - \$3,271,242).

# MERCHANT OPPORTUNITIES TRUST

## Notes to the Financial Statements

For the period ended September 30, 2024

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### 7. Unit capital (continued)

#### (b) Issued unit capital (continued)

##### Redemption of Trust units

Trust Units may be redeemed on the last day of each calendar quarter by the holding Unitholder by the giving of a written notice (the "Redemption Notice") to the Trust. The Trust may suspend the redemption of the Trust Units if certain conditions exist that would render impractical either an orderly liquidation of Trust property or the determination of the redemption price. The redemption price per Unit redeemed will be equal to the sum of the net asset value per unit applicable on the applicable redemption day, plus any distributions payable in respect of such Unit as of or prior to the applicable redemption day.

#### (a) Fund held in trust

On January 9, 2020, the Settlor made an Initial Contribution of \$10.

Annual Financial Statements of

**MERCHANT OPPORTUNITIES TRUST**

December 31, 2023

(Presented in Canadian Dollars)



**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS

# Independent Auditor's Report

To the Unitholders of Merchant Opportunities Trust:

## Opinion

We have audited the financial statements of Merchant Opportunities Trust (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of income and comprehensive income, change in equity and cash flow for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

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

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

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

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

### Vancouver

1500 - 1140 West Pender St.  
Vancouver, BC V6E 4G1  
604.687.4747

### Surrey

200 - 1688 152 St.  
Surrey, BC V4A 4N2  
604.531.1154

### Tri-Cities

700 - 2755 Lougheed Hwy  
Port Coquitlam, BC V3B 5Y9  
604.941.8266

### Victoria

320 - 730 View St.  
Victoria, BC V8W 3Y7  
250.800.4694

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

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

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

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



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, BC

April 29, 2024

**MERCHANT OPPORTUNITIES TRUST****Statement of Financial Position****(Presented in Canadian Dollars)**

	Notes	December 31, 2023	December 31, 2022
<b>Assets</b>			
Cash		\$ 20	\$ 20
Accounts receivable	5	34	34
Merchant Opportunities Fund LP units	6	6,630,947	3,021,607
		\$ 6,631,001	\$ 3,021,661
<b>Liabilities</b>			
Accounts payable and accrued liabilities		\$ 44	\$ 44
Trust Units Outstanding	7	6,630,947	3,021,607
		6,630,991	3,021,651
<b>Equity</b>			
Funds held in trust		10	10
		10	10
		\$ 6,631,001	\$ 3,021,661

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Trustee:

David Gens Trustee

**MERCHANT OPPORTUNITIES TRUST****Statement of Income and Comprehensive Income  
(Presented in Canadian Dollars)**

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Revenue:			
Realized and unrealized gain on Merchant Opportunities Fund LP units	6	\$ 582,434	\$ 353,291
Change in fair value of trust units		(582,434)	(353,291)
Net and comprehensive income		\$ -	\$ -

The accompanying notes are an integral part of these financial statements.



## MERCHANT OPPORTUNITIES TRUST

### Statement of Changes in Equity

(Presented in Canadian Dollars)

Year ended December 31, 2023		Funds held in Trust
Balance, December 31, 2022	\$	10
Net and comprehensive income		-
Balance, December 31, 2023	\$	10

Year ended December 31, 2022		Funds held in Trust
Balance, December 31, 2021	\$	10
Net and comprehensive income		-
Balance, December 31, 2022	\$	10

The accompanying notes are an integral part of these financial statements.

# MERCHANT OPPORTUNITIES TRUST

## Statement of Cash Flows

(Presented in Canadian Dollars)

	Year ended December 31, 2023	Year ended December 31, 2022
Operating activities:		
Net income	\$ -	\$ -
Adjustment for non-cash items:		
Realized and unrealized gain on Merchant Opportunities Fund LP units	(582,434)	(353,291)
Increase in fair value of trust units	582,434	353,291
Change in accounts receivable	-	(8)
Change in accounts payable	-	23
	-	15
Investing activities:		
Net Investment in Merchant Opportunities Fund LP units	(3,026,905)	(204,625)
	(3,026,905)	(204,625)
Financing activities:		
Proceeds from issuance of trust units	3,575,662	554,415
Distribution of trust units	(378,971)	(214,252)
Redemption of trust units	(169,786)	(135,538)
	3,026,905	204,625
Net change in cash	-	15
Cash, beginning of year	20	5
Cash, end of year	\$ 20	\$ 20

The accompanying notes are an integral part of these financial statements.

MERCHANT OPPORTUNITIES TRUST

Notes to the Financial Statements

For the year ended December 31, 2023

1. Nature of operations

Merchant Opportunities Trust (the “Trust”) was governed by the Declaration of Trust on January 9, 2020. The Initial Contribution was made to the Initial Trustee by the Settlor on the date of the declaration. The Trust is an unincorporated, open-ended limited purpose trust. The Trust was established for the sole purposes of investing in, and to acquire, Merchant Opportunities Fund Limited Partnership (“MOF LP”) Units.

The principal office of the Trust is located at Suite 200 – 171 Water Street, Vancouver, British Columbia, V6B 1A7.

These financial statements have been approved and authorized for issue by the Trustee on April 29, 2024.

2. Basis of presentation and statement of compliance

- (a) Statement of compliance:  
These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).
- (b) Functional and presentation currency:  
These financial statements are presented in Canadian dollars, which is the Trust’s functional currency.
- (c) Use of estimates:  
The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Trust’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Material accounting policy information

Financial instruments

The following table shows the classification of the Trust’s financial instruments under IFRS 9 *Financial Instruments* (“IFRS 9”):

Financial asset/liability	Classification
Cash on hand	Amortized cost
Accounts receivable	Amortized cost
Merchant Opportunities Fund LP units	FVTPL
Accounts payable and accruals	Amortized cost
Trust Units	FVTPL

# MERCHANT OPPORTUNITIES TRUST

## Notes to the Financial Statements

For the year ended December 31, 2023

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### 3. Material accounting policy information (continued)

#### Financial instruments (continued)

The Trust's investment in MOF LP units is measured at fair value through profit and loss ("FVTPL"), where changes in fair value are recognized in the statement of income and comprehensive income. The Trust Units are redeemable by the holder with the redemption price per unit redeemed will be equal to the sum of the net asset value per unit and are therefore also measured at FVTPL in order to avoid an accounting mismatch. All other financial assets and liabilities are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

#### Derecognition

##### Financial assets

The Trust derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

##### Financial liabilities

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Trust also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

**Gains and losses on derecognition are generally recognized in profit or loss.**

#### Equity

Equity represents the initial contribution from the Settlor.

### 4. Judgements and estimates

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets and liabilities. Judgements, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements, estimates and assumptions.

The critical judgment required in applying the accounting policies that had the most significant effect on the amounts recognized in the combined financial statements was the classification of the Trust units. In determining whether these should be classified as liabilities or equity, management has assessed whether the Trust units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 *Financial Instruments: Presentation*, which permit classification of a

# MERCHANT OPPORTUNITIES TRUST

## Notes to the Financial Statements

For the year ended December 31, 2023

### 4. Judgements and estimates (continued)

puttable instrument as equity have been satisfied. The Trust Units have been determined to be classified as a liability.

The effect of a change in an accounting estimate is recognized prospectively by including it in earnings in the year of the change, if the change affects that year only; or in the year of the change and future years, if the change affects both.

### 5. Accounts Receivable

On January 9, 2020, the Trust entered into a Funding Agreement. Pursuant to the Funding Agreement, Merchant Opportunities Fund Ltd. ("MOF") agreed to cover all costs associated with the formation, maintenance, capital raises and other costs of the Trust other than the costs covered by MOF LP.

MOF LP agreed to cover all costs associated with the annual audit of the Trust.

For the year ended December 31, 2023, MOF reimbursed or paid trust expenses totaling \$10,258 (2022 – \$19,490). As at December 31, 2023, the trust is owed \$34 (2022 – \$34) for bank charges to be reimbursed by MOF.

### 6. Investment in Merchant Opportunities Fund LP Units

In the normal course of business, the Trust purchases and redeems units of MOF LP. For the year ended December 31, 2023, the Trust purchased 439,891 units (2022 – 70,768) and redeemed 20,979 units (2022 – 17,414) of MOF LP. As at December 31, 2023, the fair value of the Trust's ownership in units totaled \$6,630,947 (2022 – \$3,021,607), representing ownership of 29,101 Class B MOF LP units at a net asset value of \$8.70 per unit, 654,408 Class C MOF LP units at a net asset value of \$8.38 per unit, 82,958 Class F MOF LP units at a net asset value of \$8.60 per unit, and 20,523 Class I MOF LP units at a new asset value of \$8.79 per unit. During the year, the Trust had realized and unrealized gains of \$582,434 (2022 – \$353,291) from changes in the fair value of MOF LP units.

### 7. Unit capital

#### (a) Authorized unit capital

The Trust shall initially have one class of Units which shall be called Class "1" Units. No future class of Unit shall rank ahead of the Class "1" Units with respect to voting rights. The Trust has since authorized a Class "2", Class "F.T.", and Class "I.T." Unit which maintain equivalent voting rights to Class "1" Units.

The Trust is authorized to issue an unlimited number of Units of any class or series.

#### (b) Issued unit capital

For the year ended December 31, 2023, 439,891 Trust units (2,318 Class 1 units, 388,264 Class 2 units, 41,799 Class F.T. units, and 7,510 I.T. units) were issued for proceeds of

# MERCHANT OPPORTUNITIES TRUST

## Notes to the Financial Statements

For the year ended December 31, 2023

### 7. Unit capital (continued)

\$3,575,662 (2022 - \$554,415). As at December 31, 2023, there were 29,101 Class 1 units, 654,408 Class 2 units, 82,958 Class F.T units and 20,523 Class I.T. units outstanding.

#### (b) Issued unit capital (continued)

##### Redemption of Trust units

Trust Units may be redeemed on the last day of each calendar quarter by the holding Unitholder by the giving of a written notice to the Trust. The Trust may suspend the redemption of the Trust Units if certain conditions exist that would render impractical either an orderly liquidation of Trust property or the determination of the redemption price. The redemption price per Unit redeemed will be equal to the sum of the net asset value per unit applicable on the applicable redemption day, plus any distributions payable in respect of such Unit as of or prior to the applicable redemption day. For the year ended December 31, 2023, 13,877 Class 2 units and 7,102 Class 1 units were redeemed for consideration of \$169,786 (2022 – \$135,538).

#### (c) Fund held in trust

On January 9, 2020, the Settlor made an Initial Contribution of \$10.

### 8. Financial instrument risk management

#### **Credit risk**

Credit risk is the risk of loss resulting from failure of a borrower or counter party to honour its financial or contractual obligation to the Trust. Credit risk primarily arises from cash which is on deposit with major Canadian banks and therefore considered nominal.

#### **Liquidity risk**

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities. The Trust is exposed to this risk mainly in respect of its payables. The Trust's Trustee oversees the Trust's liquidity risk to ensure the Trust has access to enough readily available funds to cover its financial obligations as they come due.

#### **Market risk**

The Trust is exposed to market risk through its investment in MOF LP units. For the year ended December 31, 2023, a 10% decline in the price of MOF LP units would result in a \$663,095 loss to holders of the Trust Units.

#### **Capital management**

The Trust defines capital as equity and Trust Units. The capital management objectives of the Trust are to maintain adequate capital resources to support its working capital needs, business and growth strategy, and build long term unitholder value.

#### **Fair values**

The carrying value of the Trust's financial assets and liabilities approximate fair value as they have either a short period of time to maturity or are due on demand. and growth strategy, and build long term unitholder value.

**Item 14            Date and Certificate**

DATED November 8, 2024

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

**MERCHANT OPPORTUNITIES FUND LIMITED  
PARTNERSHIP by its GENERAL PARTNER MERCHANT  
OPPORTUNITIES FUND LTD.**

DocuSigned by:  
*David Gens*  
6E22F7ACB7CA4C1

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David Gens  
Managing Partner

**MERCHANT OPPORTUNITIES FUND LTD.**

DocuSigned by:  
*David Gens*  
6E22F7ACB7CA4C1

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David Gens  
Managing Partner

DocuSigned by:  
*Peleg Bartfeld*  
F1B5B6F784D4A5A

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Peleg Bartfeld  
Managing Partner

*On behalf of the board of directors of Merchant Opportunities Fund Ltd.*

DocuSigned by:  
*Kelly Klatik*  
D3296FEACDA8474

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Kelly Klatik  
Director

Signed by:  
*Kevin Sandhu*  
3FFB80C40B4E44D

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Kevin Sandhu  
Director

**MERCHANT OPPORTUNITIES TRUST**

DocuSigned by:  
*David Gens*  
6E22F7ACB7CA4C1

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David Gens  
Trustee