

Confidential Offering Memorandum



Offering Series F and O units of

RBC Commercial Mortgage Fund

July 25, 2022

This Offering Memorandum constitutes an offering of securities described herein, on a private placement basis only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. This Offering Memorandum is provided to specific prospective investors for the purpose of assisting them and their professional advisers in evaluating the securities offered hereby and is not, and under no circumstances is to be construed as, a prospectus or advertisement or public offering of such securities relating to a distribution of the securities described herein. No securities commission or similar regulatory authority has in any way passed upon the merits of the securities offered hereunder nor has reviewed this Offering Memorandum and any representation to the contrary is an offence. No person is authorized to give any information or make any representation not contained in this Offering Memorandum in connection with the offering of these securities and if given or made, any such information or representation may not be relied upon. The securities described herein are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act, are not insured under the provisions of that Act or any other legislation, and are not guaranteed. Under applicable laws, resale of the units will be subject to indefinite restrictions, other than through redemption of the units or another available exemption.

Potential investors should pay particular attention to the information under the heading “General Information about the RBC Commercial Mortgage Fund - Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds” in this Offering Memorandum. An investment in the fund requires the financial ability and willingness to accept certain risks. No assurance can be given that the investment objective of the fund will be achieved or that investors will receive a return of their capital.

TABLE OF CONTENTS

SUMMARY	i
DEFINITIONS	1
INTRODUCTION	3
GENERAL INFORMATION ABOUT THE RBC COMMERCIAL MORTGAGE FUND	3
What is an investment fund?	3
What are the risks of investing in an investment fund?	3
Specific Risks in Respect of the RBC Commercial Mortgage Fund and the Underlying Funds	4
Risk Rating	11
ORGANIZATION AND MANAGEMENT OF THE RBC COMMERCIAL MORTGAGE FUND	12
SPECIFIC INFORMATION ABOUT THE RBC COMMERCIAL MORTGAGE FUND	14
Fund details	14
What does the Fund invest in?	14
What are the risks of investing in the Fund?	15
Distribution policy	16
PURCHASES, SWITCHES AND REDEMPTIONS	17
Net asset value	17
Determining the price of a mortgage when purchasing from or selling to a related party	19
Purchasing units of the Fund	20
Minimum investment	21
Switching	21
Redesignations	22
Redeeming units of the Fund	22
Redemption Terms of Underlying Funds	23
DESCRIPTION OF UNITS OF THE FUND .	25
FEES AND EXPENSES	25
Fees and expenses that the Fund pays	25
Management fees	25
Operating expenses and administration fee	26
Early redemption penalty	26
Effect of GST/HST on Management Expense Ratio	27
IMPACT OF SALES CHARGES	27
INCOME TAX CONSIDERATIONS FOR INVESTORS	27
Taxation of the Fund	27
Taxation of unitholders	28
Tax reporting to unitholders	29

Investment by registered plans	29
International information reporting	29
ADDITIONAL INFORMATION	30
Fund-specific conflicts of interest	30
General conflicts of interest	30
How the Fund and/or an Underlying Fund may engage in securities lending transactions, repurchase transactions and reverse repurchase transactions	38
Regulatory relief	39
Fund-of-fund relief	39
Investment restrictions	41
Recordkeeping, disclosure and Independent Review Committee involvement	43
Reliance on prospectus exemptions and certain required disclosure	43
WHAT ARE YOUR LEGAL RIGHTS?	44
SCHEDULE "A" – PURCHASERS' RIGHTS OF ACTION FOR DAMAGES OR RESCISSION	45
SCHEDULE "B" – COLLECTION AND USE OF PERSONAL INFORMATION	58

SUMMARY

Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the RBC Commercial Mortgage Fund. The following is a summary only and is qualified by the more detailed information contained in this Offering Memorandum. Capitalized terms used in this summary have the same meaning assigned to them in the body of this Offering Memorandum (including under the heading "Definitions").

RBC Commercial Mortgage Fund:

The Fund is established as a trust under the laws of the Province of British Columbia by the Trust Agreement.

Manager and Principal Portfolio Adviser:

RBC Global Asset Management Inc. ("**RBC GAM**") is the manager and principal portfolio adviser of the Fund. RBC GAM has its head office in Toronto, Ontario.

Please see *Organization and Management of the RBC Commercial Mortgage Fund – Manager* later in this document for more information.

Investment Objective and Strategies of the Fund:

The fundamental investment objective of the Fund is to provide investors with total returns predominantly comprised of an income yield, through an investment strategy in underlying mortgage funds that provide broad diversification by strategy, investment type and geography.

To achieve the Fund's investment objective, the Fund will invest in commercial mortgage investment funds managed by RBC GAM or its affiliates. On a look through basis the Fund intends to build a diversified portfolio of commercial mortgages with a primary focus on first mortgages (including high leverage first mortgages) and a secondary focus on subordinate mortgages and mezzanine mortgages (to real estate holding companies). The Fund has a primary focus on mortgages backed by Canadian real commercial property and a secondary focus on mortgages backed by US and European real commercial property.

Please see *Specific Information About the RBC Commercial Mortgage Fund* later in this document for more information.

Risk Factors:

Investors should consider a number of factors in assessing the risks associated with investing in units of the Fund. **An investment in the Fund may be considered to be speculative.**

Please see *General Information about the RBC Commercial Mortgage Fund – Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds* later in this document for more information.

Distributions:

The Fund intends to distribute portions of its net income in March, June and September, with any remaining net income and net realized capital gains distributed in December. Distributions from the Fund will be automatically reinvested in additional units of the Fund

unless unitholders of the Fund tell us in advance that they want to receive their distributions in cash.

**Canadian Federal
Income Tax
Considerations:**

Unitholders will be required to include in computing their income for Canadian tax purposes each year amounts paid or payable to them out of the income and taxable capital gains of the Fund (including amounts distributed on the redemption of units), notwithstanding that those amounts may be distributed in cash or reinvested in additional units. Such amounts may include income that is imputed to, or deemed to be earned by, the Fund under the Tax Act. A prospective unitholder should carefully consider all of the potential tax consequences of an investment in units of the Fund and should consult with their tax advisor before subscribing for units.

Please see *General Information about the RBC Commercial Mortgage Fund – Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds – Regulatory, business, legal and tax risk* and *Income Tax Considerations for Investors* later in this document for more information.

**Eligibility for
Investment:**

Provided that the Fund qualifies and continues to qualify as a mutual fund trust under the Tax Act, units of the Fund will be qualified investments permitted to be held in trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs or TFSA's. It is expected that the Fund will qualify as a mutual fund trust under the Tax Act and that units of the Fund will at all relevant times be qualified investments for trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs or TFSA's.

The Offering:

The Fund currently offers Series F and O units to Canadian investors who are Canadian residents under the Tax Act pursuant to certain exemptions from prospectus requirements under applicable Canadian securities legislation. The Fund is generally available only to those investors who have entered into an investment management agreement or a subscription agreement with the Manager or one of its affiliates, and investors may be required to execute such certificates and other documents as the Manager may reasonably require evidencing their eligibility and entitlement to rely on such exemptions.

With respect to purchases made pursuant to commitments to purchase units of the Fund made prior to March 31, 2022, the minimum initial investment for Series F and O units of the Fund is \$25,000. Subsequent to March 31, 2022, further purchases of units of the Fund may not be made until September 29, 2023, at which time the minimum initial investment for Series F units shall be \$5,000 and the minimum subsequent investment shall be \$500 and, while there shall be no requirement for a minimum investment or account size in respect of Series O units, RBC GAM may, at its sole discretion, impose such requirement.

Unless otherwise permitted by the Manager in its sole discretion and in accordance with applicable laws of a jurisdiction, units of the Fund are not available for purchase by non-residents of Canada. The Fund reserves the right to discontinue the offering of units at any time and from time to time. Pursuant to applicable securities legislation, a report of exempt trade must be filed with securities regulatory authorities that identifies investors.

Please see *Purchases, Switches and Redemptions – Purchasing units of the Fund* and *Additional Information - Reliance on prospectus exemptions and certain required disclosure* later in this document for more information.

Redemptions:

Subject to certain restrictions, units of the Fund may be redeemed on the last Business Day of March, June, September and December (each, a “**Redemption Date**”) upon written notice being delivered to us by a cut-off time of 4:00 p.m. Toronto Time on the Business Day which is three months prior to the Redemption Date. Units redeemed during the first, second and third year of a unitholder’s investment are subject to an early redemption penalty equal to 3%, 2% and 1% respectively of the redemption proceeds.

The Fund will use commercially reasonable efforts, taking into account the interests of the Unitholders as a whole, to satisfy all redemption requests in cash. However, in the event that the Fund has received one or more redemption requests for any given Redemption Date in an aggregate amount exceeding 2.5% or more of the value of the units outstanding for the Fund, the Fund may in the Manager’s sole discretion: (a) deliver cash redemption proceeds in an aggregate amount equal to 2.5% of the value of the units outstanding for the Fund (or such other amount as may be determined by the Manager) on a pro rata basis to those Unitholders who submitted a redemption request in respect of such Redemption Date and, in respect of the balance of the redemption proceeds, deliver cash; or (b) deliver portfolio securities of the Fund in kind, with the securities delivered determined by the Manager in its sole discretion.

The redemption proceeds payable in connection with a redemption on a Redemption Date shall be paid to the Unitholder within one (1) month of the applicable Redemption Date.

Please see *Purchases, Switches and Redemptions – Redeeming units of the Fund* later in this document for more information.

In addition, the Underlying Funds may be subject to liquidity restrictions as described under *Purchases, Switches and Redemptions – Redemption Terms of Underlying Funds* later in this document.

Certain Conflicts of Interest:

There are a number of material conflicts of interest that arise or may arise in our capacity as manager and portfolio adviser of the Fund. These conflicts of interest create certain risks for investors in the Fund. Please see *General Information about the RBC Commercial Mortgage Fund – Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds – Conflicts of interest risk, Additional Information – Fund-specific conflicts of interest, Additional Information – General conflicts of interest and Additional Information – Regulatory relief* later in this document.

Fees and Expenses:

Management fees - The Fund will pay a management fee to the Manager of 0.65% per annum of the series net asset value of the Series F units.

The Fund does not pay us a management fee with respect to Series O units. Unitholders of Series O units pay a negotiated fee directly to us for investment counselling services.

No trailing commission is or will be paid for Series F units or Series O units.

There are no sales commissions payable to the Manager when an investor buys or redeems units of the Fund. Investors may negotiate a sales commission directly with their dealer.

In addition, each of the Underlying Funds have their own fees and expenses to pay in addition to those paid by any investment funds that invest in them. Please see *Fees and Expenses* later in this document for more information.

Operating expenses and administration fee - We pay certain operating expenses of the Fund. These expenses include regulatory filing fees and other day to day operating expenses including but not limited to, annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee to the extent that it provides oversight in the context of an application of exemptive relief in relation to the Fund, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, and the costs of preparing and distributing annual and semi-annual reports, statements and investor communications, if any. In return, in connection with each series of units of the Fund, as of the date of this Offering Memorandum, the Fund is expected to pay us an administration fee of 0.02% per annum for Series F and Series O units.

The Fund also pays certain operating expenses directly, including any Independent Review Committee costs and expenses that are not related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee to the extent it provides oversight in the context of an application of exemptive relief in relation to the Fund, the cost of any new

government or regulatory requirements and any borrowing costs and taxes (including, but not limited to, GST and HST, as applicable).

In addition, each of the Underlying Funds will generally be responsible for the payment of all of its operating fees and expenses and any indirect costs. As a result, investors in the Fund also indirectly bear these costs.

Unitholders who redeem units of the Fund during the first, second or third year of the unitholder's investment shall pay to the Fund an early redemption penalty equal to 3%, 2% and 1% respectively of the redemption proceeds. See also *Purchases, Switches and Redemptions – Redemptions* and *Fees and Expenses – Early redemption penalty* later in this document for more information.

Some of the Underlying Funds may charge a redemption fee to the Fund if securities are redeemed within a certain period after purchase and may be subject to other liquidity restrictions. See also *Purchases, Switches and Redemptions – Redemption Terms of Underlying Funds* later in this document for more information.

Currency:

Units of the Fund are offered, and distributions and redemption proceeds (when paid in cash) are paid, only in Canadian dollars. The net asset value of the Fund is calculated in Canadian dollars.

Minimum Offering:

There is no minimum or maximum number of units offered by the Fund or minimum or maximum proceeds from the sale of units.

Unit Certificates:

No certificates for units of the Fund will be issued.

Statutory Rights:

Investors resident in certain provinces and territories of Canada are entitled to the benefit of certain statutory rights of action.

Please see *What Are Your Legal Rights?* and *Schedule "A" – Purchasers' Rights of Action for Damages or Rescission* later in this document for more information.

DEFINITIONS

In this Offering Memorandum, “**you**”, “**your**” and “**unitholder**” mean the investor; and “**Manager**”, “**we**”, “**us**”, “**our**”, means RBC Global Asset Management Inc. (“**RBC GAM**”), the entity that is responsible for management of the Fund. In this Offering Memorandum, we refer to the RBC Commercial Mortgage Fund as the “**Fund**”.

In addition, unless otherwise specified, the following words shall have the following meanings in this Offering Memorandum:

“**Business Day**” means any day on which the Toronto Stock Exchange and Canadian banks are open for business;

“**CRA**” means the Canada Revenue Agency;

“**DPSP**” means a deferred profit sharing plan, as defined in the Tax Act;

“**GST**” means goods and services tax;

“**HST**” means harmonized sales tax;

“**Manager**” means RBC Global Asset Management Inc., in its capacity as manager of the Fund;

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

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds*;

“**RBC Investor Services**” means RBC Investor Services Trust;

“**RDSP**” means a registered disability savings plan, as defined in the Tax Act;

“**Redemption Date**” has the meaning provided under *Purchases, Switches and Redemptions – Redeeming units of the Fund*;

“**Redemption Notice Cut-Off Time**” has the meaning provided under *Purchases,*

Switches and Redemptions – Redeeming units of the Fund;

“**RESP**” means a registered education savings plan, as defined in the Tax Act;

“**RRIF**” means a registered retirement income fund, as defined in the Tax Act;

“**RRSP**” means a registered retirement savings plan, as defined in the Tax Act;

“**Series Net Asset Value**” means the net asset value per series of units calculated in accordance with the Trust Agreement;

“**Subscription Date**” has the meaning provided under *Purchases, Switches and Redemptions – Purchasing units of the Fund*;

“**Subscription Notice Cut-Off Time**” has the meaning provided under *Purchases, Switches and Redemptions – Purchasing units of the Fund*;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

“**Tax Proposals**” has the meaning provided under *Income Tax Considerations for Investors*;

“**TFSA**” means a tax-free savings account, as defined in the Tax Act;

“**Trust Agreement**” means the amended and restated master trust agreement made as of July 25, 2022, between the Manager and the Trustee (as amended from time to time);

“**Trustee**” means RBC Investor Services, in its capacity as trustee of the Fund;

“**Underlying Funds**” means any of the investment funds in which the Fund invests from time to time; and

“**Valuation Day**” means any day on which the Toronto Stock Exchange is open for business

and/or any day or days as RBC GAM, in its sole discretion, determines, subject to compliance with applicable laws.

INTRODUCTION

This Offering Memorandum contains important information to help you make an informed investment decision and understand your rights as an investor in the Fund.

RBC Global Asset Management Inc. (defined above as “**RBC GAM**”), which is an indirect wholly owned subsidiary of Royal Bank, is responsible for the management of the Fund.

It is expected that the Manager will apply for registered investment status under the Tax Act for the Fund.

Additional information about the Fund will be available in the annual financial statements of the Fund and any interim financial statements of the Fund prepared thereafter. These financial statements are available from us upon request.

GENERAL INFORMATION ABOUT THE RBC COMMERCIAL MORTGAGE FUND

What is an investment fund?

An investment fund is a pool of investments made on behalf of people with similar investment objectives. When you invest in an investment fund, you are combining your money with that of other investors. We use this pool of money to invest in a wide variety of investments on behalf of the entire group of investors. We follow a set of guidelines outlined in the investment objective and investment strategies of the Fund that are described below under *What does the Fund invest in?*. You and all the other investors share in any profits or losses the investment fund makes.

The Fund is an open-ended trust that is sold in units, which are issued in series and which may be divided into series. The Fund currently offers only Series F and O units; however, the Fund may issue additional series in the future. Each unit of a series (or series) represents an undivided share of the Fund’s net assets, equal to the share of every

other unit of the series. There is no limit to the number of units the Fund can issue. However, the Fund may be closed to new investments from time to time.

What are the risks of investing in an investment fund?

There is no such thing as risk-free investing. For investors, risk is the possibility of losing money or not making any money. The same is true with investment funds. The value of the investment fund may change every day, reflecting changes in interest rates, economic conditions, financial markets and company news. Therefore, when you redeem your units in an investment fund, you may receive less than the full amount you originally invested. The full amount of your investment in an investment fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, investment fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

One risk of an investment fund is that, in exceptional circumstances, requests to redeem units of the investment fund may not be accepted or delivery of redemption proceeds may be delayed. These circumstances in the context of the Fund are explained under *Redeeming units of the Fund*. Please also see *General Information about the RBC Commercial Mortgage Fund – Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds – Liquidity risk* below.

The value of an investment fund is directly related to the value of the investments held by the investment fund. The value of the investments in an investment fund can change from day to day due to, among other things, general market conditions, changes in interest rates and political and economic developments. The value of an investment fund may change substantially over time.

The total effect of the different types of risk is measured by volatility. Volatility measures

how variable the value of an investment fund is relative to an expected return.

It is very important that you be aware of the risks associated with the Fund, its relative return over time and its volatility. The principal risks that may be associated with investing in the Fund are described below.

Specific Risks in Respect of the RBC Commercial Mortgage Fund and the Underlying Funds

An investment in the Fund is not intended as a complete investment program for an investor. We strongly recommend that you consult with an experienced adviser prior to investing.

The Fund is not subject to the disclosure requirements or investment restrictions applicable to publicly offered investment funds, which include limits on such investment funds' ability to use derivatives and leverage, concentrate investments, and engage in securities lending, repurchase or reverse repurchase transactions, among other restrictions.

Investment funds own different types of investments, depending on their investment objectives. The principal risks associated with an investment fund are the same risks that affect the value of the investments held by that investment fund.

There is no assurance that the investment objective of the Fund will actually be achieved. The Fund's ability to achieve its investment objective may be affected by, among other things, (i) the highly speculative nature of investing in securities in general, (ii) certain risks specific to the investment policies and practices of the investment portfolio in which the Fund invests, and (iii) certain risks specific to the investment techniques used by the portfolio in which the Fund invests.

Investors should consider the following risk factors before investing. The risks are

outlined in alphabetical order. The following risks are outlined in alphabetical order. This list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. For greater clarity, references to "issuer" contained herein shall include a borrower / mortgagee.

Capital adequacy risk

With the use of derivatives by the Fund and/or the Underlying Funds, there is a risk in a rising interest rate environment that capital in such fund may become insufficient to support its overlay program. A rise in interest rates may result in the Fund and/or an Underlying Fund having insufficient physical securities to post as collateral which may lead to an unwinding of such fund's derivative positions. This may require RBC GAM to terminate the Fund and/or an Underlying Fund and return the remaining capital to unitholders.

Concentration risk

The Fund is not subject to applicable securities laws that require it to diversify portfolio holdings such that no more than a fixed percentage of its assets are invested in any specific issuer. There are risks associated with any investment fund that concentrates its investments in or exposure to any particular security, including concentrating in any of the following: (i) a particular issuer or issuers; (ii) the credit of a particular counterparty or counterparties; and/or (iii) interest rates or fixed-income securities having a particular duration. This concentration allows an investment fund to focus on a particular issuer's potential or execute a particular strategy or achieve a desired balance of risk and return. It also means that the value of such an investment fund may be more volatile than the value of a more diversified investment fund because the concentrated investment fund's value is affected more by the performance of that particular issuer, counterparty or exposure.

Conflicts of interest risk

There are a number of material conflicts of interest that arise or may arise in our capacity as manager and portfolio adviser of the Fund. These conflicts of interest create certain risks for investors in the Fund. See also *Additional Information – Fund-specific conflicts of interest*, *Additional Information - General conflicts of interest* and *Additional Information – Regulatory relief* later in this document.

Counterparty risk

To the extent that the Fund and/or the Underlying Funds use derivatives, they may be exposed to counterparty risk. In the event that one or more counterparties become bankrupt or insolvent or fail to meet their obligations to the Fund and/or the Underlying Funds, the Fund and/or Underlying Funds will be exposed to potential losses, including those resulting from non-collateralized market-to-market in their favour, and potential market risk quantified as the movement in market value of the security during the period of time where the Fund and/or the Underlying Funds will be required to replace the economic (market) exposure provided by the derivatives contracts held with the defaulting counterparty.

Where there is direct counterparty exposure, over-and-above credit exposure through non-collateralized market-to-market amounts, there is the risk of having to replace the economic exposure of outstanding derivatives positions since they will no longer be in effect with the defaulted counterparty.

The Fund and/or Underlying Funds will enter into derivatives contracts only with approved counterparties with whom they have a negotiated agreement and counterparty exposures will be managed in accordance with the policies of RBC GAM. Counterparty exposures in the Fund and the Underlying Funds will be monitored according to the compliance processes and procedures applicable to such funds. The Fund and/or the Underlying Funds may be exposed to

companies which act as a service provider, counterparty or guarantor when entering into over-the-counter markets. Their inability or unwillingness to honour obligations can subject the Fund and/or the Underlying Funds to credit risk of losses incurred from late payments, failed payments and default.

Credit risk

Credit risk is the possibility that a borrower or issuer, or the counterparty to a derivative contract, repurchase agreement or reverse repurchase agreement, is unable or unwilling to repay the loan, obligation, mortgage or interest payment, either on time or at all. The Fund can lose money if the borrower or the issuer of a bond, mortgage or other fixed-income security can't pay interest or repay principal when it is due.

The debt securities issued by companies, governments and special purpose vehicles (such as vehicles that issue asset-backed securities or mortgage-backed securities) that act as a counterparty or borrow money are often rated by specialized rating agencies. Credit risk is generally considered to be lower among issuers that have a high credit rating from a credit rating agency, and higher among issuers that have a low credit rating or no credit rating. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can influence a debt security's market value. There is no guarantee that third party credit ratings represent an accurate assessment of the risk of owning a particular issuer's securities. If a rating agency has given a higher rating to an issuer's securities than those securities inherently deserve, the value of the securities may decrease substantially as the market becomes aware of the issuer's true risk. Other factors can also influence a debt security's market value or the ability of an issuer to pay interest or repay principal when due, such as a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security, and the underlying assets or collateral, if any. Lower rated and unrated debt instruments generally offer a better

return than higher-grade debt instruments but have the potential for substantial loss.

A credit spread is the difference between interest rates payable on an issuer's fixed-income security and a federal government-issued fixed-income security that are as identical as possible except for the credit rating. If the market determines that a higher return is necessary to compensate for the higher risk of a lower rated fixed-income security, the credit spread will increase. If a credit spread increases after the purchase of a fixed-income security, the value of that security will decrease.

Currency risk

The Fund will be exposed to currency exchange risk where the assets and income are denominated in currencies other than the Canadian dollar (the reference currency of the Fund). Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of the Fund's investments to decline or increase. Currency exchange rates may fluctuate significantly over short periods of time. They are generally determined by supply and demand in the currency exchange markets and the relative merits of investment in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can also be affected unpredictably by intervention (or failure to intervene) by governments or central banks, or by currency controls or political developments.

The Fund may enter into currency exchange transactions in an attempt to protect against changes in a country's currency exchange rates. The Fund may enter into forward contracts to hedge against a change in such currency exchange rates that would cause a decline in the value of existing investments denominated or principally traded in a currency other than the Canadian dollar. To do this, the Fund would enter into a forward contract to sell the currency in which the

investment is denominated or principally traded in exchange for the Canadian dollar.

Although these transactions are intended to minimise the risk of loss due to a decline in the value of the hedged currency, at the same time they limit any potential gain that might be realised should the value of the hedged currency increase. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities will change as a consequence of market movements in the value of such securities between the date when the forward contract is entered into and the date when it matures. Therefore, the successful execution of a hedging strategy which matches exactly the profile of the investments of the Fund cannot be assured.

Changes in the value of the Canadian dollar relative to a currency other than the Canadian dollar may affect your income tax payable. You should consult your tax adviser on how you may be affected.

Cyber security risk

As the use of technology has become more prevalent in the course of business, mutual funds, like the Fund, have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information or other information subject to privacy laws, suffer data corruption, or lose operational capacity. This in turn could cause the Fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to the Fund's digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of the

Fund's third-party service providers (e.g., administrators, mortgage servicers, transfer agents, custodians and sub-advisors) or of issuers that the Fund invests in can also subject the Fund to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, the Fund has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially since the Fund does not directly control the cyber security systems of issuers or third-party service providers.

Derivatives risk

A derivative is a type of investment whose value is derived from the performance of other investments or from the movement of interest rates, exchange rates or market indices.

Derivatives have their own special risks. Here are some of the common ones associated with derivatives that the Fund may be exposed to:

- Since over-the-counter derivatives may be used by the Fund and the Underlying Funds, counterparty risk is an important consideration. See *Counterparty risk* above.
- Although the Fund and the Underlying Funds intend to secure obligations owed to them by counterparties in connection with derivative transactions by requiring counterparties to post collateral to support such obligations, not all amounts owed to them are required to be fully supported by collateral and, in some cases, there may be a delay in collateral being posted (as a result of a dispute with a counterparty or due to settlement processes). The Fund and/or an Underlying Fund may also be required to post collateral in certain circumstances and grant a security interest in favour of its counterparties in some of its assets, and there may be a

risk that such counterparties may enforce their security against such fund's assets.

- There is no guarantee that the Fund or an Underlying Fund can close out a derivative contract when it wants to or when an existing derivative contract is scheduled to terminate. There is no guarantee that the Fund or an Underlying Fund can enter into another derivatives contract that will maintain the desired market exposure (at all, or at an acceptable price). The inability to close out derivative positions or implement new derivative positions (at all, or on a timely basis) could prevent the Fund or an Underlying Fund from implementing its investment objectives and strategies and could result in losses for the Underlying Fund, and in turn, the Fund. See *Specific information about the Fund – Introduction – Policy regarding allocation of derivatives opportunities* later in this document for more information.
- There is no guarantee that the Fund or the Underlying Funds will be able to find suitable counterparties at all, or on a timely basis.
- The Fund and/or the Underlying Funds' ability to terminate derivative transactions is subject, in all cases, to the terms of the contractual arrangements established between such fund and each counterparty, the adherence of counterparties to the terms of such contracts, the prompt exercise of contractual rights, the availability of dispute resolution mechanisms and the ability to require market intermediaries and services providers to promptly act on instructions, among other factors. As a result, in cases where the Fund and/or the Underlying Funds attempt to terminate a derivative transaction, there may be a delay. During that delay, the value of the Fund and/or the Underlying Funds, collateral posted by or to such funds and/or such funds' exposure under a derivatives contract may fluctuate dramatically and, as a result, such funds may suffer significant losses

or be unable to meet their investment objectives.

- Using derivatives for hedging may not always work and it could limit the Fund and/or an Underlying Fund's potential to make a gain.
- Costs relating to entering, maintaining and unwinding derivative contracts may reduce the returns of the Fund and/or the Underlying Funds, particularly in illiquid markets.
- The price of a derivative may not accurately reflect the value of the underlying currency or security.
- The other party to a derivative contract may not be willing to or not be able to live up to its agreement to complete the transaction. In general, credit ratings are relied on as indications of the ability of the other party to live up to its agreement. See *Credit risk* above.
- Changes to the legal or regulatory environment for derivative instruments may affect the way derivatives are used by the Fund and/or the Underlying Funds. See *Legal, tax and regulatory risk* below.

Foreign investment risk

Foreign investments are affected by global economic factors. There is often less information available about foreign companies and many countries have less stringent accounting, auditing and reporting standards than in Canada, or lower standards of government supervision and regulation. Some foreign markets have less trading volume, which may make it more difficult to sell an investment or may make prices more volatile. Certain countries may also have foreign investment or exchange laws that make it difficult to sell an investment or may impose withholding or other taxes that could reduce the return on the investment. Different financial, political and social factors could hurt the value of foreign investments. Investments in foreign markets may be subject to change in the imposition of taxes or the expropriation of assets.

Fund-of-funds risk

The Fund will invest in Underlying Funds managed by RBC GAM or its affiliates. As such, the risks associated with investing in the Fund include the risks associated with the securities in which the Underlying Funds invest, along with the other risks of the Underlying Funds. Accordingly, the Fund takes on the risks of the Underlying Funds in which it invests in proportion to its investment in, or exposure, to those Underlying Funds.

If an Underlying Fund suspends redemptions, the Fund may be unable to value part of its portfolio and may be unable to process redemption orders.

Interest rate risk

Through exposure to fixed-income securities, a significant influence on the Fund's value will be changes in the general level of interest rates. If interest rates fall, the value of the Fund's units will tend to rise. If interest rates rise, the value of the Fund's units will tend to fall. Depending on the holdings of the Underlying Funds, short-term interest rates can have a different influence on the Fund's value than long-term interest rates. If an Underlying Fund invests primarily in fixed-income securities with longer-term maturities, the biggest influence on the Fund's value will be changes in the general level of long-term interest rates. If an Underlying Fund invests primarily in fixed-income securities with shorter-term maturities, the biggest influence on the Fund's value will be changes in the general level of shorter-term interest rates. If you are seeking current income, you should be aware that the level of interest income from a money market fund will fluctuate as short-term interest rates vary.

Large investor risk

The securities of the Fund may be held in significant percentages by an investor, including another investment fund. In order to meet purchase and redemption requests by the investor, the Fund may have to alter its

holdings significantly and purchase or sell investments at unfavourable prices and incur capital gains and transaction costs. This can reduce the returns of the Fund.

If the Fund experiences a “loss restriction event”: (i) the Fund will be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund’s taxable income at such time to Unitholders so that the Fund is not liable for income tax on such amounts), and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all interests in the income or capital, respectively, in the Fund. However, trusts that qualify as “investment funds” as defined in the Tax Act are exempt from such adverse consequences. An “investment fund” for this purpose includes a trust that meets certain conditions, for purposes of the Tax Act, not using any property in the course of carrying on a business and complying with certain asset diversification requirements. The Fund presently qualifies, and is expected to continue to qualify, as an “investment fund”.

Legal, tax and regulatory risk

Legal, tax and regulatory changes to laws or administrative practice could occur during the term of the Fund which may adversely affect the Fund. For example, the regulatory or tax environment for derivative instruments is

evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by the Fund and the ability of the Fund to pursue its investment strategies. Interpretation of the law or administrative practice may affect the characterization of the Fund’s earnings as capital gains or income, which may increase the level of tax borne by investors as a result of increased taxable distributions from the Fund. There can be no assurance that Canadian federal income tax laws and administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the unitholders of the Fund.

In some jurisdictions the interpretation and implementation of laws and regulations and the enforcement of unitholders’ rights under such laws and regulations may involve significant uncertainties. Furthermore, there may be differences between accounting and auditing standards, reporting practices and disclosure requirements and those generally accepted internationally. Tax law and regulations of any country are constantly subject to change, and may be changed with retrospective effect. The interpretation and applicability of tax law and regulations by tax authorities in some jurisdictions are not consistent or transparent and may vary from region to region.

Leverage risk

The Fund has direct exposure to leverage risk as a result of its use of operating leverage for liquidity management purposes and indirect exposure to the leverage risk of Underlying Funds which may use leverage to manage cash on a neutral basis.

The use of derivatives by the Fund and/or the Underlying Funds has the potential to both enhance returns and enhance losses, and involves additional risks and/or may increase volatility. A relatively small movement in interest rates, the price of an instrument or in the performance of the markets more

generally may result in immediate and substantial losses. Moreover, certain market environments could negatively impact the absolute performance of the Fund and/or the Underlying Funds and their portfolio and the collateral posted to and by such funds resulting in a total loss of such funds' assets or an inability of such funds to pay their obligations when they become due. Accordingly, the Fund's use of derivatives and investment in Underlying Funds which use derivatives have the potential to both enhance returns and enhance losses.

Limited operating history risk

The Fund was recently formed and has no, or a limited, operating history. There can be no assurance that we will be successful in achieving the Fund's investment objectives.

Limits on advice risk

We consulted with independent counsel and other experts regarding the Fund. Unitholders are not necessarily represented by any such independent experts. Each prospective investor should consult its own legal, tax and financial advisors regarding the desirability of purchasing units and the suitability of an investment in the Fund for such investor. In addition, we may only be managing a portion of your portfolio or the portion that has been invested in the Fund. As a result, we are unable to control the impact your investment in the Fund may have on the rest of your portfolio and/or the obligations your portfolio are designed to support (if any).

Liquidity risk

Liquidity refers to the speed and ease with which an asset can be bought or sold and converted into cash. Some securities are inherently less liquid than others due to the nature of the security, the demand for the security and the extent to which the market for the security is developed.

Certain investment positions in which the Fund will directly or indirectly have an interest

may be illiquid. The Fund may invest in or have exposure to non-transferable securities, non-publicly traded securities or securities with a lack of trading volume. These investments could prevent the Fund from liquidating unfavourable positions promptly and subject the Fund to substantial losses. Such investments could also impair the ability of unitholders to collect redemption proceeds in a timely manner, and unitholders may incur a dilution adjustment.

Market risk

Market risk is the risk of being invested in the commercial mortgage markets. The market value of the Fund's investments will rise and fall based on specific issuer developments and broader commercial mortgage market conditions including but not limited to war and occupation, terrorism, geopolitics, health crises, natural disasters, climate change and civil unrest. Market value will also vary with changes in the general economic and financial conditions in countries or sectors in which the investments are based (whether as a result of political, social or environmental changes or otherwise).

Private issuer risk

The Fund may invest in or have indirect exposure to securities issued by private issuers. There are risks associated with investing in private issuer securities. There is typically much less publicly available information concerning private issuers than for public issuers. The valuation of private issuer securities is also more subjective and such securities are very illiquid as there are no established markets for such securities. As a result, in order to sell this type of holding, the Fund or Underlying Fund may need to discount the securities from recent prices or dispose of the securities over a long period of time. Please see *Liquidity risk* above and *Purchases, switches and redemptions* later in this document for more information.

Securities lending, repurchase and reverse repurchase risk

The Fund and the Underlying Funds may enter into securities lending, repurchase, or reverse repurchase transactions. The value of securities loaned under a securities lending transaction or sold under a repurchase transaction may exceed the value of the collateral held by the Fund and/or an Underlying Fund. If there is a default on an obligation to repay or to resell the securities to the Fund and/or an Underlying Fund, the collateral may be insufficient to enable such fund to purchase replacement securities and such fund may suffer a loss for the difference. Similarly, the value of securities purchased by the Fund and/or an Underlying Fund under a reverse repurchase transaction may decline below the amount of cash paid by such fund. If there is a default on an obligation to repurchase the securities from the Fund and/or an Underlying Fund, such fund may need to sell the securities for a lower price and suffer a loss for the difference.

For more information about how the Underlying Funds may engage in these transactions, please see *Specific information about the Fund - How an Underlying Fund may engage in securities lending, repurchase transactions and reverse repurchase transactions* later in this document.

Series risk

The Fund offers multiple series of units. Each series has its own fees and expenses, which are tracked separately. Those expenses will be deducted in calculating the unit value for that series, thereby reducing its unit value. If one series is unable to pay its expenses or liabilities, the assets of the other series will be used to pay those expenses or liabilities. As a result, the unit price of the other series may also be reduced. Please see *Purchases, Switches and Redemptions* and *Fees and Expenses* for more information regarding the series of units of the Fund being offered pursuant to this Offering Memorandum and how their unit value is calculated.

Risk Rating

RBC GAM assigns a risk rating to the funds that it manages as an additional guide to help investors decide whether a fund is right for them. This information is only a guide. RBC GAM determines the risk rating for the funds it manages in accordance with the guidelines set forth in NI 81-102 even though the Fund is not subject to NI 81-102. Under NI 81-102, the investment risk level of a fund is required to be determined in accordance with standardized risk classification methodology that is based on the historical volatility of the fund as measured by the 10-year standard deviation of the returns of the fund. Just as historical performance may not be indicative of future returns, a fund's historical volatility may not be indicative of its future volatility. Investors should be aware that other types of risk, both measurable and non-measurable, also exist.

Standard deviation is a statistical measure used to estimate the dispersion of a set of data around the average value of the data. In the context of investment returns, it measures the amount of variability of returns that has historically occurred relative to the average return. The higher the standard deviation, the greater the variability of returns it has experienced in the past.

A fund's risk rating is normally determined by calculating its standard deviation for the most recent 10 years using monthly returns and assuming the reinvestment of all income and capital gains distributions in additional units of the fund. As the Fund does not have at least 10 years of performance history RBC GAM has used the Fund's benchmark as a reference index (the FTSE Canada Short-Term Bond Index) that is reasonably expected to approximate, the standard deviation of the Fund as a proxy. Using this methodology, the Fund's risk rating would be considered low. There may be times when RBC GAM believes this methodology produces a result that does not reflect the Fund's risk based on other qualitative factors.

ORGANIZATION AND MANAGEMENT OF THE RBC COMMERCIAL MORTGAGE FUND

Role	Service provided
Manager RBC Global Asset Management Inc. Toronto, Ontario	RBC GAM is the manager and principal portfolio adviser of the Fund.
Principal Portfolio Adviser RBC Global Asset Management Inc. Toronto, Ontario	As principal portfolio adviser, we have principal responsibility for managing the investment portfolio of the Fund.
Trustee and Custodian RBC Investor Services Trust Toronto, Ontario	<p>As trustee, RBC Investor Services holds title to securities owned by the Fund on behalf of the unitholders with responsibility to act in the best interest of unitholders.</p> <p>As custodian, RBC Investor Services holds the Fund's cash and investments in safekeeping on behalf of the Fund.</p> <p>RBC Investor Services is a wholly-owned subsidiary of Royal Bank and is an affiliate of RBC GAM.</p>
Registrar RBC Global Asset Management Inc. Vancouver, British Columbia RBC Investor Services Trust Toronto, Ontario	RBC GAM's Vancouver office and RBC Investor Services will process all the purchases and redemptions of units of the Fund, keep a register of all investors, and issue investor statements and annual tax slips for investors.
Auditors PricewaterhouseCoopers LLP Chartered Professional Accountants Toronto, Ontario	As auditors, PricewaterhouseCoopers LLP provides assurance that the Fund's annual financial statements present fairly, in all material respects, their financial position and results of operations in accordance with International Financial Reporting Standards.
Independent Review Committee	<p>The Independent Review Committee acts as the independent review committee for investment funds managed by RBC GAM which are offered by way of a prospectus. The Independent Review Committee also provides independent oversight as required under certain exemptive relief for certain transactions by certain non-prospectus funds (like the Fund) managed by RBC GAM.</p> <p>The Independent Review Committee may also provide advice to RBC GAM on other issues relating to the management of the Fund.</p> <p>The Independent Review Committee is currently composed of five members. Each member is independent from RBC GAM, the Fund and the entities related to RBC GAM. The Independent Review Committee prepares, at least annually, a report of its activities for you, which is available on our website at www.rbcgam.com or at your request and at no cost by calling us toll free at 1-877-408-6019 or by emailing us at institutionalcash@phn.com. Please see <i>Additional Information – Regulatory relief</i> and <i>– Recordkeeping, disclosure and</i></p>

	<i>Independent Review Committee involvement</i> later in this document for more information.
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SPECIFIC INFORMATION ABOUT THE RBC COMMERCIAL MORTGAGE FUND

Fund details

Type of fund	Alternative Fixed Income
Date the Fund was created	February 28, 2022
Type of securities	Series F and O trust units
Eligibility	Units are expected to be qualified investments for RRSPs, RRIFs, DPSPs, RESPs, RDSPs or TFSA's
Fees and expenses	See the section called <i>Fees and Expenses</i> later in this document

What does the Fund invest in?

Investment objective

The fundamental investment objective of the Fund is to provide investors with total returns predominantly comprised of an income yield, through an investment strategy in underlying mortgage funds that provide broad diversification by strategy, risk profile, investment type and geography.

The fundamental investment objective may only be changed in accordance with the Trust Agreement for the Fund. We may change the Fund's investment strategies described below at our discretion.

Investment strategies

To achieve the Fund's investment objective, the Fund will invest in commercial mortgage investment funds managed by RBC GAM or its affiliates. On a look through basis the Fund intends to build a diversified portfolio of commercial mortgages with a primary focus on first mortgages (including high leverage first mortgages) and a secondary focus on

subordinate mortgages and mezzanine mortgages (to real estate holding companies). The Fund has a primary focus on mortgages backed by Canadian real commercial property and a secondary focus on mortgages backed by US and European real commercial property.

The Fund may only invest in mortgages on an indirect basis through an investment in Underlying Funds; therefore, on a case by case basis, the Fund may also indirectly invest in mortgages outside of its primary and secondary focus provided it is permitted within the Underlying Fund's mandate. We will only invest in units of Underlying Funds where the investment is compatible with the Fund's investment objective and strategies, and otherwise complies with applicable securities laws, and terms and conditions of any applicable exemptive relief obtained by RBC GAM on behalf of the Fund. **Investors who receive a copy of this Offering Memorandum will be deemed to have consented to such fund of funds investments.**

The Underlying Funds in which the Fund may invest include, but are not limited to, the following:

Phillips, Hager & North Mortgage Pension Trust

- The Phillips, Hager & North Mortgage Pension Trust seeks to provide relatively high yields by investing primarily in a portfolio of first mortgages on income producing property located in Canada.
- This Underlying Fund is subject to the liquidity restrictions described under *Purchases, Switches and Redemptions – Redemption Terms of Underlying Funds* later in this document.

Phillips, Hager & North Conventional Plus Mortgage Fund

- The Phillips, Hager & North Conventional Plus Mortgage Fund seeks to provide relatively high yields by investing primarily in first mortgages and subordinate mortgages on commercial property located in Canada.
- Effective as of March 31, 2022, this Underlying Fund will be permitted to use leverage of up to 30% of the market value of first mortgage assets that it holds. Leverage shall be primarily employed for the purposes of managing cash on a neutral basis.
- This Underlying Fund is subject to the liquidity restrictions described under *Purchases, Switches and Redemptions – Redemption Terms of Underlying Funds* later in this document.

Phillips, Hager & North High Yield Mortgage Fund

- The Phillips, Hager & North High Yield Mortgage Fund seeks to provide relatively high yields by investing primarily in first mortgages and subordinate mortgages on commercial property located in Canada. This Underlying Fund may also invest in mezzanine loans to Canadian real estate companies and Canadian CMBS securities. On a case by case basis, this Underlying Fund will also invest in mortgages on Canadian real estate outside of its primary and secondary focus, when the risk/return profile is attractive.
- Effective as of March 31, 2022, this Underlying Fund will be permitted to use leverage of up to 30% of the market value of first mortgage assets that it holds. Leverage shall be primarily employed for the purposes of managing cash on a neutral basis.
- This Underlying Fund is subject to the liquidity restrictions described under *Purchases, Switches and Redemptions – Redemption Terms of*

Underlying Funds later in this document.

The Fund will be permitted to use direct leverage of up to 10% of the gross asset value of the Fund. Leverage shall be primarily employed for the purposes of liquidity management.

Opportunities to invest in the Fund are limited by the availability of the mortgage investment opportunities in the Underlying Funds. Therefore the Manager has established procedures for ensuring fairness in allocating investments in the Underlying Funds. The Fund will be treated the same as all other investors invested in or awaiting investment in an Underlying Fund.

The Fund may use derivatives and invest in Underlying Funds that use derivatives, such as swaps, options, futures or forward contracts for (i) hedging purposes, including to protect against losses or reduce volatility resulting from changes in interest rates, market indices, or foreign exchange rates including changes in foreign exchange rates relative to the Canadian dollar; and (ii) non-hedging purposes, including as a substitute for direct investment, to generate income or extend or reduce the duration of fixed income investments.

The Fund may enter into, and may invest in Underlying Funds that may enter into, securities lending transactions, repurchase and reverse repurchase transactions, without prior notice and as permitted by applicable laws for efficient portfolio management purposes or for any other purpose that is compatible with such fund's investment objective and strategies.

What are the risks of investing in the Fund?

For details on the principal risks associated with an investment in the Fund, as well as the general risks of investing in investment funds, please see *General Information about the RBC Commercial Mortgage Fund –*

Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds – What are the risks of investing in an investment fund? earlier in this document.

Additional liquidity risk is also associated with an investment in the Fund, as units of the Fund that are redeemed during the first, second and third year of a unitholder's investment are subject to an early redemption penalty equal to 3%, 2% and 1% respectively of the redemption proceeds. Please see *Purchases, Switches and Redemptions – Redemptions* and *Fees and Expenses – Early redemption penalty* later in this document for more information.

Distribution policy

The Fund intends to distribute portions of its net income in March, June and September, with any remaining net income and net realized capital gains distributed in December.

Distributions from the Fund are automatically reinvested in additional units of the Fund unless unitholders of the Fund tell us in advance that they want to receive their distributions in cash.

PURCHASES, SWITCHES AND REDEMPTIONS

The Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. The Fund currently offers Series F and O units. The Fund may issue additional series in the future, with each series having its own fees and expenses, or discontinue the offering of any series of units at any time and from time to time.

Series F units are available to investors who have accounts with dealers who have signed a fee-based agreement with us. These investors pay their dealer a fee directly for investment advice or other services. Series O units are available to investors as we may determine from time to time at our sole discretion. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us for investment counselling services.

We do not pay trailing commissions on Series F and Series O units.

For fees paid to us by the Fund, please refer to *Fees and Expenses – Fees and expenses that the Fund pays*.

Net asset value

The Fund maintains a separate net asset value for each series of units, as if the series were a separate fund. However, the assets of the Fund will constitute a single pool for investment purposes. The net asset value for a series is based on series specific amounts, such as amounts paid on the purchase and redemption of units of the series and expenses attributable solely to the series, and on the series' share of the Fund's investment earnings, market appreciation or depreciation of assets, common expenses and other amounts not attributable to a specific series. Expenses are recognized on an accrual (i.e., "as incurred") basis, not on a cash (i.e., "when paid") basis.

The unit price for each series is the basis for calculating the purchase price or redemption price for buying or redeeming units of that series. We or our agent calculate the unit price for each series by dividing the net asset value for the series by the number of outstanding units of the series. The Fund is valued and can be purchased only in Canadian dollars.

The Fund's assets –The value of any security or property held by the Fund or an Underlying Fund managed by RBC GAM will be determined in accordance with the Trust Agreement or other applicable documentation in the following way:

- *Underlying Funds* – Underlying Funds that are not exchange-traded funds are valued at their respective net asset value per unit from fund companies on the relevant Valuation Days and Underlying Funds that are exchange-traded funds are valued at market close on the relevant Valuation Days.
- *Fixed-Income and Debt Securities* – Bonds, mortgage-backed securities, loans, debentures and other debt securities are valued at the mid-price quoted by major dealers or independent pricing vendors in such securities. *National Housing Act* (Canada) - approved mortgages are valued at an amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.
- *Short-Term Investments* – Short-term investments are valued at cost plus accrued interest, which approximates fair value.
- *Options* – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date. Listed options are valued at the closing price on the recognized exchange on which the option is traded. In

circumstances where the closing price is not within the bid-ask spread, RBC GAM will determine the points within the bid-ask spread that are most representative of the fair value. When an option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the option that would have the effect of closing the position. Any differences resulting from the revaluation will be treated as an unrealized gain or loss on investment. The deferred credit will be deducted in arriving at the net asset value of the Fund. The securities, if any, which are the subject of a written option will be valued at their current market value.

- *Warrants* – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.
- *Forward Contracts* – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the Valuation Day.
- *Total Return Swaps* – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers.
- *Futures Contracts* – Futures contracts entered into by an Underlying Fund are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Underlying Fund does not intend to purchase or sell the financial instrument on the settlement date; rather, it intends to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the Valuation Day.
- *Interest Rate Swap Contracts* – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. Interest rate swap contracts are valued based upon quotations from independent sources.
- *Credit Default Swap Contracts* – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Credit default swap contracts are valued based on quotations from independent sources.
- *Cross-Currency Swaps* – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers.
- *Fair Valuation of Investments* – The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. RBC GAM also has procedures where the Fund primarily employ a market-based approach, which may use related or comparable assets or liabilities, net asset

value per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Fund may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

- *Cash* – Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.
- *Foreign Exchange* – The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars at the rate of exchange on each Valuation Day. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

If a Valuation Day of the Fund or an Underlying Fund is not a Business Day for a specific market, the prices or quotations of the prior Business Day will be used to value any asset or liability for such market.

If the valuation principles described above are not appropriate under the circumstances, RBC GAM will determine a value which it considers to be fair and reasonable in the circumstances. RBC GAM has not exercised this discretion within the past three years.

The Fund's liabilities - The Fund's liabilities will be determined in the same manner as the

Fund's assets, as described above, and may include:

- All debts, obligations, liabilities or claims of any kind.
- All accrued operating expenses and other charges.

Determining the price of a mortgage when purchasing from or selling to a related party

When an Underlying Fund purchases mortgages from Royal Bank or another affiliate of RBC GAM, it can use one of the following three methods for valuing the mortgage:

1. *Lender's rate method* – the mortgage is acquired at a principal amount which produces a yield equal to the interest rate for similar mortgages offered by the lending institution at the time the fund acquires the mortgage.
2. *Forward commitment rate method* – the mortgage is acquired at a principal amount which produces a yield equal to the interest rate for similar mortgages offered by the lending institution on the date of commitment. The date of commitment cannot be more than 120 days before the date the fund acquires the mortgage.
3. *Modified lender's rate method* – the mortgage is acquired at a principal amount which produces a yield of not more than 0.25% below the interest rate for similar mortgages offered by the lending institution at the time the fund acquires the mortgage (the amount of this reduced yield is referred to as a "guarantee fee"). A provision of this method is that the lending institution must agree to repurchase the mortgage from the fund when it benefits the fund, and we

must consider this agreement to justify the difference in the yield.

Each of these valuation methods produces a different mortgage yield:

- The lender's rate method and the forward commitment rate method produce the same yield where there has been no change in the interest rate charged to mortgagors within the 120-day period.
- The forward commitment rate method will result in a lower yield than the lender's rate method where interest rates have increased during the 120-day period.
- The lender's rate method will result in a lower yield than the forward commitment rate method where interest rates have declined during the 120-day period.

The modified lender's rate method will result in a lower yield than the lender's rate method in all cases.

- The modified lender's rate method will result in a higher yield than the forward commitment rate method where interest rates have increased by an amount which is more than the amount of the guarantee fee during the 120-day period.
- The modified lender's rate method will produce a lower yield than the forward commitment rate yield where there has been no change in the interest rate, where the interest rate has declined during the 120-day period or where the interest rate has increased during such period by less than the guarantee fee.

We use the following principles to determine the fair value of mortgages in a fund's portfolio:

- We determine a principal amount that produces a yield equal to the yield of mortgages sold by major lending institutions, if this is known on the valuation day, or that is equal to or not less than 0.25% below the interest rate for comparable mortgages on the valuation day. Mortgages are valued by an independent third party.
- For any mortgages that go into arrears, we use the lower of the face value or fair value as determined by a third-party valuation agent.

Purchasing units of the Fund

Purchases made pursuant to commitments to purchase units of the Fund made prior to March 31, 2022 shall be processed at the discretion of the Manager as of any Business Day between March 31, 2022 and March 31, 2023, or such other earlier or later date as may be determined at the discretion of the Manager. Subsequent to March 31, 2022, further purchases of units of the Fund may not be made until September 29, 2023 upon prior written notice being delivered to us by the cut-off time of 4:00 p.m. Toronto Time on June 30, 2023, with such dates being subject to change at the discretion of the Manager. Thereinafter, the units offered by the Fund may be purchased on a quarterly basis as of the last Business Day of March, June, September and December (each, a "**Subscription Date**") upon prior written notice being delivered to us by a cut-off time of 4:00 p.m. Toronto Time on the Business Day which is three months prior to the Subscription Date (the "**Subscription Notice Cut-Off Time**"). The Fund is generally available only to those investors who have entered into an investment management agreement or a subscription agreement with RBC GAM or an affiliate. For more information on the exemptions from prospectus requirements upon which you may rely to purchase units of the Fund and

documents that may be required, see *Additional Information – Reliance on prospectus exemptions and certain required disclosure* below.

There are no charges payable to RBC GAM in connection with opening an account with, or buying units of the Fund from, RBC GAM.

RBC GAM determines the unit price for the Subscription Date which is also a relevant Valuation Day. If we receive and accept your completed purchase order by a cut-off time of 4:00 p.m. Toronto Time on the Business Day which is three months prior to the Subscription Date, your order will be processed using the unit price for that Subscription Date. Otherwise, we will process your purchase order using the unit price for the next Subscription Date. RBC GAM reserves the right, in its sole discretion, to require investors to provide additional notice of a purchase order where we determine that the markets are illiquid, or where we believe that the purchase order will have a negative impact on the Fund.

RBC GAM may limit or “cap” the size of the Fund or a series of units of the Fund by restricting new purchases, including under circumstances where there is insufficient liquidity. We will continue to allow redemptions and the calculation of the Fund’s unit value for each series as described under *Redeeming units of the Fund* later in this document. We may subsequently decide to start accepting new purchases of the Fund or series at any time.

Due to the illiquid nature of mortgage investments, purchases of Underlying Funds may be delayed for six months, or in extreme cases up to 36 months. Opportunities to invest in the Fund are limited by the availability of the mortgage investment opportunities in the Underlying Funds. Therefore the Manager has established procedures for ensuring fairness in allocating investments in the Underlying Funds. The Fund will be treated the same as all other

investors invested in or awaiting investment in an Underlying Fund.

Investments into the Fund may be accepted, in the Manager’s discretion, by cash deposits, inter-fund trades, transfers of securities in kind, cross trades or through such other means as may be specified by the Manager in its sole discretion, as permitted by applicable securities legislation or exemptive relief.

RBC GAM may refuse or delay any request to buy units from an investor at our sole discretion, including where an order is received prior to the applicable cut-off time. If your request is refused, your money will be returned to you in full, without interest. If your purchase request is delayed, we will prioritize your request, along with other purchase requests, on a first-come-first-serve basis.

Minimum investment

With respect to purchases made pursuant to commitments to purchase units of the Fund made prior to March 31, 2022, the minimum initial investment for Series F and O units of the Fund is \$25,000. Subsequent to March 31, 2022, further purchases of units of the Fund may not be made until September 29, 2023, at which time the minimum initial investment for Series F units shall be \$5,000 and the minimum subsequent investment shall be \$500 and, while there shall be no requirement for a minimum investment or account size in respect of Series O units, RBC GAM may, at its sole discretion, impose such requirement.

Switching

You will not be permitted to switch your units of the Fund for units of another investment fund managed by RBC GAM or its affiliates.

Redesignations

Where the Fund offers more than one series of units, it will allow, with our prior approval and if you are eligible, a switch between series of units of the Fund, otherwise known as a “redesignation”.

If you are no longer eligible to hold a series of units, we may switch you out of that series to another series of units of the Fund, as appropriate.

We do not charge any fees to switch between series of the Fund. Switching units of one series to units of another series of the Fund is not considered a disposition for tax purposes.

Redeeming units of the Fund

Subject to certain restrictions described below, units of the Fund may be redeemed on the last Business Day of March, June, September and December (each, a “**Redemption Date**”) upon written notice being delivered to us by a cut-off time of 4:00 p.m. Toronto Time on the Business Day which is three months prior to the Redemption Date (the “**Redemption Notice Cut-Off Time**”). Units that are redeemed during the first, second and third year of a unitholder’s investment will be subject to an early redemption penalty equal to 3%, 2% and 1% respectively of the redemption proceeds.

If we receive your redemption request by the Redemption Notice Cut-Off Time, your redemption request will be processed using the unit price for that Redemption Date. Otherwise, we will process your redemption request using the unit price for the next Redemption Date. RBC GAM reserves the right, in its sole discretion, to require investors to provide additional notice of a redemption request where we determine that the markets are illiquid, or where we believe that the redemption request will have a negative impact on the Fund.

The redemption proceeds payable in connection with a redemption on a Redemption Date shall be paid to the unitholder within one (1) month of the applicable Redemption Date. The Fund will use commercially reasonable efforts, taking into account the interests of the Unitholders as a whole, to satisfy all redemption requests in cash. However, in the event that the Fund has received one or more redemption requests for any given Redemption Date in an aggregate amount exceeding 2.5% or more of the value of the units outstanding for the Fund, the Fund may in the Manager’s sole discretion (a) deliver cash redemption proceeds in an aggregate amount equal to 2.5% of the value of the units outstanding for the Fund (or such other amount as may be determined by the Manager) on a pro rata basis to those Unitholders who submitted a redemption request in respect of such Redemption Date and, in respect of the balance of the redemption proceeds, deliver cash; or (b) deliver portfolio securities of the Fund in kind, with the securities delivered determined by the Manager in its sole discretion (as further described below).

We will only send you the redemption proceeds if:

- instructions necessary to complete the transaction have been received; and
- any payment for buying the same units that you are redeeming has cleared.

We may, in our sole discretion and in compliance with applicable securities laws, make payment of some or all of the redemption proceeds by making good delivery to the unitholder of portfolio securities of the Fund, the value of which is equal to the redemption price of the units being redeemed, less any redemption penalty. In the event that redemption proceeds are paid by making delivery of portfolio securities, we must be satisfied that such delivery is in the best interests of the Fund. Securities delivered in payment of redemption proceeds will be valued as of the

redemption day and on the same basis that the Fund would use in determining the value of such securities on that day. The unitholder will be required to pay any reasonable costs associated with delivering such securities to the unitholder and/or registering such securities in the name of the unitholder or a nominee of the unitholder, and any brokerage costs associated with the disposition by the unitholder of the relevant securities.

The Fund may suspend the redemption of its units for any period in the event that (a) normal trading is suspended on any stock exchange on which securities or derivatives that make up more than half of the Fund's total assets by value are traded, or (b) RBC GAM determines that conditions exist which render impractical the sale of the assets of the Fund or impair the ability of RBC GAM to determine the value of assets held by the Fund.

For example, due to the illiquid nature of mortgage investments, redemptions of the Fund may be suspended where the Underlying Funds are unable to dispose of the mortgage investments required to fund the redemptions and, during periods of extreme illiquidity, payments for redemptions of units may occur as transfers in kind. A redemption request received during a suspension of redemptions or prior to the suspension but for which payment has not been made, will generally be completed at the series net asset value per unit on the first valuation day following the termination of the suspension unless the redemption request is earlier withdrawn by the unitholder. However, the Manager also reserves the right to (i) complete redemption requests received during the period of suspension or prior to the suspension but for which payment has not been made, on a staggered basis in order of priority based on the date on which the redemption request was received, and/or (ii) satisfy redemption requests received prior to the suspension but for which payment has not been made, on a pro rata

basis such that all unitholders who submitted and did not withdraw such redemption requests have the same proportionate amount of their redemption requests fulfilled.

RBC GAM reserves the right to require any unitholder of the Fund to redeem such unitholder's entire holding of units of the Fund, or any portion thereof, if RBC GAM, in its sole discretion, so determines.

Investors who are U.S. citizens or who are residents of the United States or any other foreign country are not permitted to purchase units of the Fund, unless we decide otherwise in our sole discretion. Where a unitholder is or becomes a citizen or resident of the United States or a resident of any other foreign country, we may at our sole discretion require such unitholder to redeem their units if their participation has the potential to cause adverse regulatory or tax consequences for the Fund or unitholders of the Fund.

Redemption Terms of Underlying Funds

Phillips, Hager & North Mortgage Pension Trust

Units of this Underlying Fund may be redeemed quarterly on the last Business Day of March, June, September and December with a redemption request cut-off time of 4:00 p.m. Toronto time on the Business Day which is three months prior to the quarterly redemption day. The redemption proceeds payable in connection with a redemption on a quarterly redemption day shall be paid to the unitholder of this Underlying Fund within one (1) month of the applicable redemption day. Effective November 30, 2022, units of this Underlying Fund that are redeemed during the first year of a unitholder's investment are subject to an early redemption penalty equal to 2% of the redemption proceeds.

In the event that this Underlying Fund receives redemption requests for a quarterly redemption day that in aggregate exceed

2.5% or more of the value of the units outstanding for this Underlying Fund, the Underlying Fund may deliver redemption proceeds in cash on a pro rata basis to a maximum aggregate redemption total of 2.5% of the value of the units outstanding for the Fund. Unitholders who have submitted a redemption request in an amount in excess of this approved amount must resubmit a redemption request for the following quarterly redemption day. This Underlying Fund will use commercially reasonable efforts, taking into account the interests of its respective unitholders as a whole, to satisfy all redemption requests in cash. However, this Underlying Fund may in the Manager's sole discretion deliver redemption proceeds by issuing an unsecured promissory note, payable within three (3) years of the Redemption Date. Promissory notes shall bear interest at the then three (3) year Government of Canada yield and shall be pre-payable by the Underlying Fund at any time without notice, bonus or penalty. Promissory notes will constitute unsecured obligations of the Underlying Fund and will not be transferrable by any holder thereof. The Underlying Fund will prioritize the repayment of the promissory notes from future subscription proceeds and will use its commercially reasonable efforts, taking into account the interest of the unitholders as a whole, to redeem the promissory notes in cash prior to the three-year term. Promissory notes will not be qualified investments for registered plans under the Tax Act. If the Manager has determined that it is necessary to deliver a portion of the redemption proceeds in the form of a Promissory Note, the Manager will provide notice to the redeeming unitholders of this Underlying Fund, or their advisors, of the principal amount of the Promissory Note to be issued to such unitholder on the redemption day to allow the unitholder the opportunity to revoke the unitholder's redemption request.

Phillips, Hager & North Conventional Plus Mortgage Fund

Units of this Underlying Fund may be redeemed quarterly on the last Business Day of March, June, September and December with a redemption request cut-off time of 4:00 p.m. Toronto time on the Business Day which is three months prior to the quarterly redemption day. The redemption proceeds payable in connection with a redemption on a quarterly redemption day shall be paid to the unitholder of this Underlying Fund within one (1) month of the applicable redemption day. Units that are redeemed during the first, second and third year of a unitholder's investment are subject to an early redemption penalty equal to 3%, 2% and 1% respectively of the redemption proceeds.

In the event that this Underlying Fund receives redemption requests for a quarterly redemption day that in aggregate exceed 3% or more of the value of the units outstanding for this Underlying Fund, the Fund may deliver redemption proceeds in cash on a pro rata basis to a maximum aggregate redemption total of 3% of the value of the units outstanding for the Fund. Unitholders who have submitted a redemption request in an amount in excess of this approved amount must resubmit a redemption request for the following quarterly redemption day.

Phillips, Hager & North High Yield Mortgage Fund

Units of this Underlying Fund may be redeemed quarterly on the last Business Day of March, June, September and December with a redemption request cut-off time of 4:00 p.m. Toronto time on the Business Day which is three months prior to the quarterly redemption day. The redemption proceeds payable in connection with a redemption on a quarterly redemption day shall be paid to the unitholder of this Underlying Fund within one (1) month of the applicable redemption day. Units of this Underlying Fund that are redeemed during the first and second year of a unitholder's investment are subject to an early redemption penalty equal to 5% of the redemption proceeds.

In the event that this Underlying Fund receives redemption requests for a quarterly redemption day that in aggregate exceed 3% or more of the value of the units outstanding for this Underlying Fund, the Fund may deliver redemption proceeds in cash on a pro rata basis to a maximum aggregate redemption total of 3% of the value of the units outstanding for the Fund. Unitholders who have submitted a redemption request in an amount in excess of this approved amount must resubmit a redemption request for the following quarterly redemption day.

DESCRIPTION OF UNITS OF THE FUND

Each unit of a series of the Fund entitles the holder to:

- one vote at any meeting of unitholders of the Fund or a meeting of unitholders of that specific series;
- participate equally with all other units of the series in the regular distribution of net income and net realized capital gains of the Fund allocable to the series; and
- participate equally with all other units of the series, if the Fund is being terminated and wound-up, in the distribution of the series' share of net assets of the Fund that remain after the Fund's liabilities have been paid.

No unitholder owns any assets of the Fund. Unitholders have only those rights mentioned in this Offering Memorandum and the Trust Agreement for the Fund.

These rights may only be modified by amending the Trust Agreement. The Trust Agreement does not require unitholder approval with respect to amendments to the Trust Agreement unless such approval is required under applicable securities laws. However, if an amendment to the Trust Agreement is one that we believe a reasonable unitholder would consider important in determining whether to continue to hold units of the Fund and is prejudicial to

the interests of unitholders as a group, we must provide unitholders with 30 days' prior notice of that change.

Although the Fund does not hold regular meetings, RBC GAM will hold meetings to obtain your approval on certain matters.

We may terminate the Fund, for any reason at our sole discretion, by providing unitholders with 60 days' prior written notice.

The Fund may be terminated on the occurrence of certain events stipulated in the Trust Agreement. On termination of the Fund, the Trustee will distribute the assets of the Fund in cash or in kind in accordance with the Trust Agreement. See also *Organization and management of the RBC Commercial Mortgage Fund – Trustee and Custodian*.

FEES AND EXPENSES

A brief description of the fees and expenses that you may have to pay if you invest in the Fund is set out below. Payment of fees and expenses by the Fund will reduce the value of your investment in the Fund.

Fees and expenses that the Fund pays

Management fees

The Fund will pay a management fee to the Manager of 0.65% per annum of the series net asset value of the Series F units.

The Fund does not pay us a management fee with respect to Series O units. Unitholders of Series O units pay a negotiated fee directly to us for investment counselling services.

No trailing commission is or will be paid for Series F units or Series O units.

There are no sales commissions payable to the Manager when an investor buys or redeems units of the Fund. Investors may

negotiate a sales commission directly with their dealer.

The Fund invests a significant portion of its net asset value in units of Underlying Funds. In addition to the fees and expenses paid by the Fund, the Underlying Funds have their own fees and expenses to pay. However, the Fund will not invest in units of another investment fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the other investment fund for the same service.

Investors should note that the Fund may offer additional series of units in the future with each series having its own fees and expenses.

Management fees are subject to applicable taxes, including HST.

Operating expenses and administration fee

RBC GAM pays certain operating expenses of the Fund. These expenses include regulatory filing fees and other day-to-day operating expenses, including, but not limited to, annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee to the extent it provides oversight in the context of an application of exemptive relief in relation to the Fund, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, and the costs of preparing and distributing annual and interim financial statements, statements and investor communications. In return, in connection with each series of units of the Fund, as of the date of this Offering Memorandum, the Fund is expected to pay us an administration fee of 0.02% per annum for Series F and Series O units.

The administration fee is subject to applicable taxes, including HST. The amount

of operating expenses paid by us in exchange for the payment of the administration fee may exceed or be less than the administration fee in any particular period. The Fund also pays certain operating expenses directly, including any Independent Review Committee costs and expenses that are not related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee to the extent it provides oversight in the context of an application of exemptive relief in relation to the Fund, the cost of any new government or regulatory requirements and any borrowing costs or financing costs associated with the use of derivatives (collectively, “**other fund costs**”) and taxes (including, but not limited to, sales taxes). Other fund costs will be allocated to the Fund and among each series of units of the Fund in a fair and equitable manner in accordance with the services used.

RBC GAM may, in some years and in certain cases, pay a portion of a series’ administration fee or other fund costs. The decision to absorb the administration fee or other fund costs is reviewed annually and determined at the discretion of RBC GAM without notice to unitholders.

Early redemption penalty

Unitholders who redeem units of the Fund during the first, second or third year of the unitholder’s investment shall pay to the Fund an early redemption penalty equal to 3%, 2% and 1% respectively of the redemption proceeds. See also *Purchases, Switches and Redemptions – Redemptions*.

Some of the Underlying Funds may charge a redemption fee to the Fund if securities are redeemed within a certain period after purchase. See also *Purchases, Switches and Redemptions – Redemption Terms of Underlying Funds*.

Effect of GST/HST on Management Expense Ratio

The Fund is required to pay GST/HST on management fees and administration fees charged to each series of units of the Fund. In general, the HST rate depends on the residence of the Fund's unitholders at a certain point in time. Changes in existing GST/HST rates, changes to which provinces impose HST and changes in the breakdown of the residence of the Fund's unitholders will have an impact on the management expense ratio of each series of units of the Fund.

IMPACT OF SALES CHARGES

The Fund is a 'no load' fund, which means you pay no sales charges or commissions when you buy and redeem units of the Fund through us. You also pay no account set-up or administration fees.

INCOME TAX CONSIDERATIONS FOR INVESTORS

The following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the Tax Act, are resident in Canada, hold their units as capital property and deal with the Fund at arm's length.

This summary is based on the current provisions of the Tax Act and the regulations under it, all specific proposals to amend the Tax Act and its regulations that have been publicly announced by the Minister of Finance ("**Tax Proposals**"), and the published administrative practices of the CRA. It is assumed that all amendments will be passed as proposed. The Fund is expected to qualify as a mutual fund trust under the Tax Act.

This summary is of a general nature and is not intended to be exhaustive. It does not take into account provincial, territorial or foreign tax laws. **Investors should consult their own tax advisers with respect to the**

tax consequences in their particular circumstances.

Provided that the Fund qualifies and continues to qualify as a mutual fund trust under the Tax Act, units of the Fund will be qualified investments permitted to be held in trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs or TFSA's. It is expected that the Fund will qualify as a mutual fund trust under the Tax Act and that units of the Fund will at all relevant times be qualified investments for trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs or TFSA's.

Taxation of the Fund

The Fund is subject to tax on its net income and net realized capital gains in each taxation year, except to the extent such amounts are distributed to unitholders. The Fund intends to distribute sufficient amounts of its net income and net realized capital gains each year, so that the Fund will not pay any tax under Part I of the Tax Act. Gains from derivative transactions entered into for non-hedging purposes will be taxed as ordinary income, rather than as capital gains. Gains from derivatives transactions entered into for hedging purposes may be taxed as ordinary income or capital gains, depending on the specific circumstances.

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

Loss suspension rules may prevent the Fund from recognizing capital losses on the disposition of investments in certain circumstances.

If the Fund invests in securities which are not denominated in Canadian dollars, the cost and proceeds of disposition of securities, dividends, interest and all other amounts will

be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. Accordingly, the Fund may realize income, gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

Taxation of unitholders

Each unitholder of the Fund will be required to include in computing its income for a particular year the portion of the net income, and the net realized taxable capital gains of the Fund for the year distributed to the unitholder (including such amounts distributed on the redemption of units), whether those amounts are distributed in cash or reinvested in additional units.

To the extent that distributions made by the Fund to a unitholder in a year exceed the unitholder's share of the Fund's net income and net realized capital gains for the year, the excess distributions will be a return of capital that is not taxable to the unitholder but that reduces the adjusted cost base of the unitholder's units. If a unitholder's adjusted cost base is reduced to less than zero the unitholder will be deemed to have realized a capital gain equal to the negative amount and the adjusted cost base will be reset at nil.

The purchase price for units of the Fund may reflect net income and net realized capital gains which have not been distributed. The investor is subject to tax on his or her share of those amounts when distributed, even though the amounts were reflected in the purchase price paid for the units. Similarly, the investor's share of capital gains realized after the units were acquired will include the portion of the gains that accrued before the investor acquired the units. This may be particularly relevant with respect to units purchased late in the year.

The Fund intends to make designations under the Tax Act so that taxable dividends received from taxable Canadian

corporations, income from foreign sources and net taxable capital gains distributed to unitholders will retain their character in the hands of unitholders. Distributed amounts that retain their character as taxable dividends on shares of taxable Canadian corporations will be subject to the gross-up and tax credit rules in the Tax Act. To the extent that such distributed amounts are distributions of eligible dividends received by the Fund, the enhanced gross-up and tax credit will apply. Each taxable unitholder will generally be entitled to a tax credit for foreign taxes paid by the Fund in respect of his or her share of income from foreign sources, except to the extent the Fund has deducted the foreign taxes in computing its income.

On a redemption or other disposition of units of the Fund, the unitholder will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of the units plus any cost of disposition, or a capital loss to the extent that the total of the adjusted cost base of the units plus any costs of disposition exceeds the proceeds of disposition. One half of a capital gain must be included in income as a taxable capital gain. One-half of a capital loss is an allowable capital loss, which may be applied against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains may be carried back three years or forward indefinitely and applied against taxable capital gains realized in those earlier or later years, subject to the rules in the Tax Act. A unitholder that is throughout the relevant taxation year a Canadian-controlled private corporation (as defined in the Tax Act), may be liable to pay, in addition to the tax otherwise payable under the Tax Act, a refundable tax determined by reference to its aggregate investment income for the year, which is defined to include an amount in respect of taxable capital gains.

The adjusted cost base of a unit of the Fund is equal to the average adjusted cost base of all units of the Fund held by a unitholder.

Generally, the adjusted cost base of all units at any time is equal to the total cost of Fund units purchased by the unitholder to that time (including units purchased by reinvesting distributions) minus the return of capital component of distributions and the adjusted cost base of units previously sold. The proceeds of disposition on the redemption of units of the Fund do not include net realized gains, if any, that are distributed as part of the redemption amount.

Individuals and certain trusts are required to pay tax equal to the greater of tax determined under the ordinary rules and alternative minimum tax. Amounts distributed by the Fund that are net taxable capital gains, and capital gains realized on the redemption of units, may increase a unitholder's liability for alternative minimum tax.

In general, fees for investment counselling services paid by you in respect of units of the Fund held outside a registered plan should be deductible for income tax purposes to the extent that such fees are reasonable and represent fees for advice to you regarding the purchase or sale of units of the Fund or for services provided to you in respect of the administration or management of your units of the Fund. Any portion of the fees that represent services provided by the Manager to the Fund, rather than directly to you, are not deductible for income tax purposes. You should consult your own tax advisor with respect to the deductibility of fees in your own particular circumstances.

Tax reporting to unitholders

For Canadian tax purposes, statements reporting distributions and other relevant tax information will be sent to all unitholders of the Fund annually on or before the date prescribed by law for such reporting.

Investment by registered plans

Provided that the Fund qualifies and continues to qualify as a mutual fund trust

under the Tax Act, units of the Fund will be qualified investments permitted to be held in trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs or TFSAs. It is expected that the Fund will qualify as a mutual fund trust under the Tax Act and that units of the Fund will at all relevant times be qualified investments for trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs or TFSAs.

Provided that the annuitant of an RRSP or RRIF, the holder of a TFSA or RDSP, or the subscriber of an RESP deals at arm's length with the Fund and does not have a "significant interest" (within the meaning of the Tax Act) in the Fund, units of the Fund will not be a prohibited investment under the Tax Act for the RRSP, RRIF, TFSA, RDSP or RESP. Annuitants of RRSPs and RRIFs, holders of TFSAs and RDSPs, and subscribers of RESPs should consult with their own tax advisors as to whether units of the Fund would be prohibited investments under the Tax Act in their particular circumstances.

International information reporting

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the United States (the "IGA"), and related Canadian legislation, the Fund and its intermediaries are required to report certain information, including certain financial information (e.g. account balances), with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans such as RRSPs), to the CRA. Intermediaries and/or entities that hold units directly or indirectly may have different disclosure requirements under the IGA. The CRA will then exchange the information with the U.S. Internal Revenue Service pursuant to the terms of the Canada-U.S. Tax Convention.

In addition, pursuant to rules in the Tax Act implementing the Organisation for Economic Co-operation and Development Common Reporting Standard (the “**CRS Rules**”), the Fund and its intermediaries will be required under Canadian legislation to identify and report to the CRA certain information, including certain financial information (e.g. account balances), relating to unitholders of the Fund (other than registered plans) who are resident in a country outside Canada that has adopted the Common Reporting Standard. Intermediaries and/or entities that hold units directly or indirectly may have different disclosure requirements under the CRS Rules. Such information would be exchanged by the CRA with the countries where such unitholders are resident.

ADDITIONAL INFORMATION

Fund-specific conflicts of interest

The Underlying Funds may invest in mortgages sourced and originated by Royal Bank and its affiliates. All decisions to invest in such mortgages are made based on the judgment of the Manager uninfluenced by considerations other than the best interests of the applicable Underlying Fund and are subject to contractual terms and conditions consistent with standard market practice and those applicable to mortgages originated by unaffiliated third parties.

With respect to the Phillips, Hager & North Mortgage Pension Trust, the Phillips, Hager & North High Yield Mortgage Fund and the Phillips, Hager & North Conventional Plus Mortgage Fund, when one such Underlying Fund holds a senior mortgage and another such Underlying Fund holds a subordinate mortgage on the same property, potential conflicts of interest arise in the context of the account management decisions made upon mortgage defaults and workouts. When one such Underlying Fund invests in a subordinate mortgage, it may also enter into an intercreditor agreement or other agreement or arrangement with the other

Underlying Fund or other lender that holds the senior mortgage which will set out the rights and privileges of each lender during the term of the mortgage.

The Underlying Funds may also purchase or sell mortgages from or to Royal Bank or another affiliate of RBC GAM. All such decisions to purchase or sell mortgages from or to Royal Bank or another affiliate of RBC GAM are made based on the judgment of the Manager uninfluenced by considerations other than the best interests of the applicable Fund and pursuant to conditions of regulatory relief described under *Additional Information – Regulatory relief* later in this document.

Please see *General Information about the RBC Commercial Mortgage Fund – Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds – Conflicts of interest risk* above in this document for more information.

General conflicts of interest

Pursuant to National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”), as a registered firm, RBC GAM is required to take reasonable steps to identify existing material conflicts of interest and material conflicts of interest that are reasonably foreseeable (a) between it and its investment funds (including the Fund and the Underlying Funds), and (b) between any employee acting on its behalf and its investment funds (including the Fund and the Underlying Funds). A conflict of interest generally arises where: (i) the interests of an investment fund and those of RBC GAM or its employees are inconsistent or divergent, or (ii) RBC GAM or its employees may be influenced to put their interests ahead of the investment fund’s interests. A conflict of interest may also arise where there are differing interests amongst investment funds, resulting in preferential treatment for some in the operation and management of their

account and execution of trades. Generally, a conflict of interest is material if the conflict may be reasonably expected to affect the decisions of a unitholder of an investment fund in the circumstances and/or the recommendations or decisions of RBC GAM or its employees in the circumstances.

RBC GAM must address all material conflicts of interest between a fund and itself, including each employee acting on its behalf, in the best interest of the fund and must avoid any material conflict of interest if the conflict cannot otherwise be addressed in the best interest of the fund. RBC GAM's employees have similar obligations to identify, address and/or avoid material conflicts of interest between each such individual and a fund in the best interests of the fund.

In addition to its obligations under NI 31-103, as an investment fund manager, pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“**NI 81-107**”), RBC GAM refers to the Independent Review Committee all conflict of interest matters related to investment funds managed by RBC GAM that are offered by way of a prospectus and for certain transactions where required under exemptive relief for certain non-prospectus funds (including the Fund and the Underlying Funds). The Independent Review Committee reviews and provides input on conflict of interest matters in respect of RBC GAM and its investment funds that are referred to the Independent Review Committee by RBC GAM. Please see *General information about the RBC Commercial Mortgage Fund – Organization and management of the RBC Commercial Mortgage Fund – Independent Review Committee*.

In addition to the conflicts of interest described under *Additional information – Fund-specific conflicts of interest* above, we have listed the key material conflicts of interest that affect the Fund and/or the Underlying Funds as follows:

Related party activities

Canadian provincial securities legislation (generally, subject to certain exceptions) prohibits a fund from (a) investing in securities issued by certain parties that are related to RBC GAM or its investment funds (related issuer restrictions), (b) purchasing securities from or selling securities to certain parties that are related to RBC GAM or its investment funds (principal dealer restrictions), and (c) trading securities between investment funds and between managed client accounts and investment funds in certain circumstances (cross-trade restrictions). RBC GAM has obtained relief for the Fund and the Underlying Funds from applicable securities legislation with respect to related issuer restrictions, principal dealer restrictions and cross-trade restrictions, as described under *Additional information – Regulatory relief*.

Related and connected issuers

It is a conflict of interest for a registered firm, such as RBC GAM, to trade in or advise with respect to securities of issuers to which it, or certain other parties related to it, are “related” or “connected”.

An issuer of securities is considered to be “related” to RBC GAM, if, through the ownership of, or direction or control over voting securities:

- RBC GAM, Royal Bank or any of its subsidiaries may control that issuer,
- that issuer may control RBC GAM, or
- the same third party may control both the issuer and RBC GAM.

An issuer is “connected” to RBC GAM if, due to indebtedness or other relationships, a reasonable prospective purchaser of securities of the issuer might question RBC GAM's independence from the issuer.

Investment funds managed by RBC GAM that are offered by way of a prospectus and the BlueBay Funds (managed or sub-

advised by our affiliate, BlueBay) are all connected issuers of RBC GAM. Other mutual funds or pooled funds managed or advised by RBC GAM or its respective associates and affiliates, including the Fund and the Underlying Funds, are also connected issuers of RBC GAM. Conflicts of interest may arise when a decision is made to invest a fund in an underlying fund managed by RBC GAM or a third-party (including mutual funds, ETFs and private real estate funds). In addition, a conflict of interest may arise when a decision is made to change underlying funds (e.g. from funds managed by a third party to RBC GAM, between RBC GAM managed funds, or between third-party managed funds). To ensure that investments decisions concerning underlying funds are in the best interests of unitholders, they must be in compliance with RBC GAM's written policies and procedures relating to the action, and achieve a fair and reasonable result for the applicable fund. A fund may purchase securities of an issuer ("**Associated Issuer**") in which a responsible person (as that term is defined in applicable securities laws) of RBC GAM, an associate of a responsible person of RBC GAM, or an affiliate of RBC GAM is a partner, director or officer. Such Associated Issuer includes, without limitation, another fund managed by RBC GAM or its affiliates ("**Related Funds**"). A fund may only invest in an Associated Issuer or a Related Fund if any such investment is compatible with the investment objectives and strategies of the fund and otherwise complies with applicable securities laws and the terms of applicable exemptive relief, as described under *Additional information – Regulatory relief – Investment restrictions*.

Effective January 8, 2019, RBC GAM and BlackRock Asset Management Limited ("**BlackRock Canada**") entered into a strategic alliance with regard to their exchange traded fund (ETF) businesses in Canada whereby the ETF families offered by RBC GAM and BlackRock Canada are brought together under one brand – RBC

iShares (the "**Strategic Alliance**"). In connection with the provisions of certain mutual services, each of RBC GAM and BlackRock Canada provides the other with certain limited information, review and consent rights in relation to the ETFs managed by each of RBC GAM and BlackRock Canada (the "**Strategic Alliance ETFs**").

Further, as consideration for certain mutual services provided as part of the Strategic Alliance, RBC GAM and BlackRock Canada agree to share management fee revenue earned from the Strategic Alliance ETFs. As a result of the Strategic Alliance, iShares ETFs managed by BlackRock Canada and US iShares ETFs managed by an affiliate of BlackRock Canada are connected issuers of RBC GAM. In order to manage this conflict, RBC GAM has developed a policy for determining the eligibility of iShares ETFs for investment funds. For more information about the strategic alliance, please visit www.rbcishares.com and www.ishares.com/US.

RBC GAM is an indirect wholly-owned subsidiary of Royal Bank, which is a publicly traded company (RY) on the Toronto and New York stock exchanges and a reporting issuer under applicable securities laws. Royal Bank and various issuers related to it are related to RBC GAM, its affiliates and in some cases its sub-advisors. Accordingly, Royal Bank and various issuers related to it are "related issuers" to RBC GAM and its investment funds, including the Fund and the Underlying Funds. Royal Bank issues securities that are eligible for investment in the Fund and the Underlying Funds. RBC GAM must only purchase Royal Bank securities to meet the investment needs of, and act in the best interests of the funds, and not to support Royal Bank's capital raising initiatives. In order to control for this conflict, RBC GAM complies with the requirements of NI 81-107 and/or exemptive relief, the policies and procedures RBC GAM has

established, and (where applicable) the approval RBC GAM has obtained from the Independent Review Committee.

A conflict of interest exists when RBC GAM trades securities from an investment fund (including the Fund and the Underlying Funds) or client account to another investment fund (including the Fund and the Underlying Funds) or client account. RBC GAM must act in the best interests of both the selling and purchasing funds and clients by ensuring the trade price and overall transaction is fair. In order to manage this conflict, RBC GAM complies with the requirements of NI 81-107, exemptive relief for inter-fund trades, the policies and procedures RBC GAM has established, and (where applicable) the approval RBC GAM has obtained from the Independent Review Committee.

The current lists of all related issuers and connected issuers of RBC GAM can be found on RBC GAM's website.

Related service providers

A conflict of interest may arise between the interests of RBC GAM, acting as an investment fund or portfolio manager, and the interests of unitholders if RBC GAM appoints or changes the service provider for an investment fund, including the Fund and the Underlying Funds, to one that is affiliated or associated with RBC GAM where that decision results in benefits to RBC GAM and/or its affiliates. RBC GAM may only obtain services from its affiliates for the Fund or the Underlying Funds where appropriate controls or policies and procedures are in place.

RBC GAM may obtain sub-advisory and other services for its investment funds, including the Fund and the Underlying Funds, from affiliated entities. In order to manage the conflicts of interest that arise from RBC GAM's use of affiliated sub-advisers, each of its affiliated sub-advisers are held to the same standards as any

unaffiliated sub-adviser that RBC GAM may hire.

RBC GAM may obtain trade execution, prime brokerage, trustee, custody, recordkeeping, valuation, securities lending, and other services for its investment funds, including the Fund and the Underlying Funds, from affiliated entities. RBC GAM applies the same criteria when reviewing and approving any broker for use, regardless of whether the broker is an affiliate of RBC GAM and has adopted policies and procedures to oversee affiliated service providers.

Certain of RBC GAM's affiliates or other related parties may act as principal or agent in transactions where RBC GAM purchases or sells securities or mortgages or enters into derivatives transactions for its investment funds, including the Fund and the Underlying Funds, or may act as an underwriter of certain securities that RBC GAM purchases for investment funds, including the Fund and the Underlying Funds. In order to control the potential conflict, RBC GAM complies with one or more of the following, as applicable: (i) the policies and procedures established and adopted by RBC GAM, (ii) the requirements of NI 81-107, and (iii) the conditions of exemptive relief orders. Additionally, approval from the Independent Review Committee is obtained as required.

Excessive investment fund and large unitholder trading

A perceived or potential conflict of interest between the interests of unitholders would arise if RBC GAM, as an investment fund manager, permitted certain unitholders to trade units of an investment fund, including the Fund or an Underlying Fund, in a manner that negatively impacts the fund. Short term trading, which includes market timing and other frequent or excessive trading, can reduce an investment fund's return because the fund may be forced to hold additional cash in order to pay redemption proceeds or alternatively, to sell portfolio holdings at an inappropriate time, thereby incurring additional trading costs or negatively

affecting the performance of the fund. RBC GAM manages this potential conflict of interest between its unitholders by enacting policies and procedures and applying rules on short term trading.

A conflict of interest may also arise between RBC GAM as investment fund manager and the majority of the unitholders of an investment fund, including the Fund or the Underlying Funds, where RBC GAM stands to earn significant revenues from the investment of a single large unitholder and permits a large transaction to take place, which results in trading activity that negatively impacts the other unitholders of the investment fund. In order to manage this risk, RBC GAM takes reasonable steps to monitor large holdings and large transactions in each investment fund with a view to manage the timing of trading activity which would negatively impact other unitholders of the fund. In some circumstances, notification is required for large redemptions to ensure that RBC GAM can evaluate the impact on other unitholders.

Selective disclosure of portfolio holdings

A conflict of interest would exist if RBC GAM disclosed fund portfolio holdings of the Fund or the Underlying Funds to one or more clients, but not to all clients, or provided fund portfolio holdings information to a non-client and not to any clients which could create an unfair advantage in favour of one client or non-client over another. RBC GAM has a responsibility to ensure that disclosures of fund portfolio holdings to clients, prospects and even affiliated entities are made fairly. RBC GAM has in place a detailed process to determine if and when it is appropriate to provide certain fund portfolio holdings information that is requested from time to time, and to assess such requests in a manner that achieves a fair and reasonable result for the Fund and the Underlying Funds.

Proxy voting

As a portfolio manager, RBC GAM has an obligation to act in the best interests of the investment funds that it manages, including the Fund and the Underlying Funds. This responsibility includes exercising the voting rights attached to securities in the portfolios of each account. RBC GAM's policy is to exercise the voting rights of the investment funds it manages in the best interests of such investment fund and with a view to enhancing the long-term value of the securities held.

RBC GAM has established proxy voting guidelines and procedures and exercises voting rights in accordance with them. While RBC GAM will generally vote proxies in accordance with the proxy voting guidelines, there may be circumstances where RBC GAM believes that it is in the best interests of an investment fund, including a Fund, to vote differently than the manner contemplated by the guidelines or to withhold a vote or to abstain from voting. In the event that RBC GAM faces a potential material conflict of interest with respect to proxies, RBC GAM's Proxy Voting Committee will meet to resolve the conflict. In some cases, proxy voting matters may be referred to the Independent Review Committee for its recommendation. RBC GAM employs a Governance Analyst who is responsible for ensuring that RBC GAM votes all proxies in accordance with the proxy voting guidelines and for identifying any situations that must be addressed by the Proxy Voting Committee.

The guidelines are available on our website, www.rbcgam.com, or by contacting us at the number on the back cover of this document.

Broker selection and best execution

A conflict of interest can exist between the interests of RBC GAM and the interests of RBC GAM's investment funds, including the Fund and the Underlying Funds, when RBC GAM chooses brokers to whom it routes trades for its investment funds. In order to

manage this risk, RBC GAM only routes trade orders to a broker for execution if RBC GAM has reviewed and approved of that broker for use against specified evaluation criteria (trading facilities and access to markets; specialized skills; satisfactory regulatory standing; quality of investment research; reliable trade processing; and creditworthiness). RBC GAM approves a broker for use if it is of the view that the broker is able to provide RBC GAM with best execution of a trade order. Best execution encompasses a broker's ability to obtain the best prices and fulfill trade orders in a timely fashion, taking into consideration the total cost of transactions (commissions charged, market impact of trades, and opportunity costs). RBC GAM also carries out annual reviews of brokers to evaluate broker performance to ensure that the broker continues to meet RBC GAM's best execution expectations and investment teams set commission allocation budgets. In addition, trading execution results are reported daily and monthly, and compared against various benchmarks and RBC GAM examines trade execution results quarterly against benchmarks and addresses opportunities for improving trade execution.

Brokerage arrangements

As a portfolio manager with discretion to direct trade orders for the investment funds it manages, including the Fund and the Underlying Funds, RBC GAM directs trade orders to certain brokers to execute the trades (from its approved broker list). The brokerage commissions paid for some of these trades reflect not only the cost of order execution, but also the cost of research goods and services and order execution goods and services that RBC GAM receives from brokers and, in some cases, from third-party vendors. Therefore, there is a conflict of interest because when RBC GAM obtains such services it is not paying for those services with its own funds but rather through brokerage commissions. In order to control for these conflicts, RBC GAM identifies the types of investment research goods and

services that can legally be paid for using brokerage commissions from investment fund trades and monitors brokerage commission usage. Further, if RBC GAM obtains mixed-use goods and services (which contain some elements that qualify as research goods and services and/or order execution goods and services and other elements that do not qualify as either), RBC GAM may only use brokerage commissions to pay for the portion of those goods and services that qualifies as research goods and services and/or order execution goods and services.

In order to manage the risk to its investment funds, including the Fund and the Underlying Funds, through potentially unfair use of brokerage commissions, RBC GAM conducts regular and extensive trade cost analysis to ensure that its investment funds, including the Fund and the Underlying Funds, are receiving a reasonable benefit. RBC GAM conducts annual reviews to decide which of its approved brokers are allocated brokerage business based on the competitiveness of brokers' commission costs, brokers' ability to provide best execution of trades and the range and quality of research goods and services and order execution goods and services RBC GAM has received. The goods and services provided by third party vendors are also included in this review.

RBC GAM may use research goods and services and order execution goods and services to benefit its investment funds, including the Fund and the Underlying Funds, other than those whose trades generated the brokerage commissions. RBC GAM has policies and procedures that require it to make a good faith determination that, over a reasonable period of time, all clients and investment funds, including the Fund and the Underlying Funds, receive fair and reasonable benefit in return for the brokerage commissions that their accounts generated. Such determination includes a periodic review of transactions and overall responsibilities with respect to its investment

funds, including the Fund and the Underlying Funds, for which RBC GAM exercises investment decisions. RBC GAM also monitors monthly commission usage against commission budgets.

Fair allocation of investment opportunities

RBC GAM allocates investment purchases across a number of its investment funds, including the Fund and the Underlying Funds, and clients on a regular basis. Conflicts in relation to investment allocations can arise around new issues and also in relation to secondary market transactions, particularly around less liquid securities where RBC GAM may be unable to fulfil the intended order for all funds or clients for which the investment is appropriate and must ensure that its allocation processes do not unfairly favour the interests of an investment fund managed by RBC GAM or the accounts of larger clients, for example. In order to manage this risk, under its Fairness in Allocation of Investment Opportunities Policy, RBC GAM states that its policy and practice is not to intentionally favour or disfavour any client, class of clients, or investment fund in the allocation of investment opportunities so that over a period of time, such opportunities are allocated among clients and investment funds on a fair basis.

RBC GAM's emphasis is on ensuring that all clients and investment funds, including the Fund and the Underlying Funds, through their discretionary portfolio managers or fund managers, are given a fair opportunity to invest in a security that is appropriate for the specific client. Each portfolio manager or fund manager makes the final determination as to whether a particular investment opportunity is appropriate for the specific client or the specific investment fund to which RBC GAM provides investment management services.

RBC GAM's Compliance Department conducts periodic reviews, on a sample basis, of trade allocations and any amendments to allocations and its focus is to

monitor whether RBC GAM has complied with regulatory requirements and with its own policies.

Personal trading

Certain RBC GAM employees have access to non-public investment and trading information in investment fund accounts. The employees, and RBC GAM, have a conflict between the personal financial interests of the employees and the interests of RBC GAM's investment funds, including the Fund and the Underlying Funds. RBC GAM and its employees must ensure this non-public information is sufficiently protected so that employees do not use the information to benefit from trading in their personal accounts ahead of the firm and, possibly, at the expense of the investment funds. In order to manage this conflict, RBC GAM monitors and controls personal trading by those employees who have access to information with respect to proposed trades for investment funds.

RBC GAM employees and employees of a sub-advisor, or any other affiliate of RBC GAM or a subsidiary of Royal Bank are permitted to invest in RBC GAM investment funds. A conflict would arise if these employees were treated differently or better than external investors (e.g. allowing RBC GAM employees to circumvent restrictions on minimum investments, short term trading, late trading or redemptions) which might conflict with the interests of external investors. In order to control for this conflict, RBC GAM treats all such employees the same as external investors. And as investors, all such employees are required to abide by the same requirements outlined in the offering documents of the investment funds in which they invest.

Fund expenses

A conflict of interest between RBC GAM and the unitholders of the Fund could arise if RBC GAM decided to charge or allocate certain

expenses to the Fund, rather than to pay those expenses directly.

In order to control for this conflict, the Fund is generally charged an annual administration fee in exchange for RBC GAM paying the operational expenses of the Fund. Fund expenses are also audited annually by RBC GAM's external auditor. On an annual basis, RBC GAM will confirm that all expenses charged to the Fund are in compliance with its policy and will submit a management expense ratio report to the appropriate committee.

Fund mergers

A conflict of interest may arise between the interests of RBC GAM and the interests of existing unitholders of the Fund if RBC GAM proceeded to merge the Fund in order to cut its own expenses when such a merger would result in an unfair outcome for the Fund's unitholders.

In order to control for this conflict, RBC GAM refers all proposed fund mergers to senior management for its review or approval, as applicable.

Fund valuations

RBC GAM has a conflict between its interests and those of the Fund's unitholders with respect to how it values the Fund because higher valuations of the Fund's value give rise to higher management fees received by RBC GAM and to better performance numbers (i.e. serving the interests of the investment fund manager or portfolio managers). RBC GAM has a statutory and ethical responsibility to ensure that investment fund valuations are done fairly and reflect individual security market values at the time of valuation. RBC GAM manages this conflict of interest by maintaining segregation of responsibilities, and utilizing an independent valuations team to carry out valuations of all of its investment funds, including the Fund and the Underlying

Funds, using predetermined and documented third party pricing sources. Further, RBC GAM's Valuation Committee sets out valuation policies and procedures and reviews any significant valuation or pricing matters.

Errors

There is a conflict of interest between RBC GAM or RBC GAM employees' interests and the interests of the Fund and the Underlying Funds if errors (including trading errors) are made without a control process to ensure that they are identified and corrected and that the funds are made whole. RBC GAM controls for these conflicts by the use of policies and procedures that must be followed each time an error is discovered to ensure that an independent assessment is made of the error as well as a determination of the appropriate corrective action.

Additionally, a conflict of interest may arise between RBC GAM and the unitholders of the Fund when an error is made in the calculation of the Fund's net asset value, because the cost of correcting the error and any required reimbursement to the Fund or its unitholders may need to be paid by RBC GAM.

In order to control for this conflict, the Chief Financial Officer of RBC GAM Funds is responsible for the supervision of procedures relating to the calculation of the net asset value of the Fund and provides an annual report to the board of directors of RBC GAM confirming compliance with the applicable policy and, if applicable, commenting on the frequency and causes of net asset value errors, and any new procedures or controls that need to be adopted to address the cause of the errors during the year.

Uncapping of Funds

RBC GAM may limit or "cap" the size of the Fund by restricting new purchases of units where it is in the best interests of the Fund to do so (e.g. the Fund is so large that RBC

GAM cannot achieve best execution). The decision to “uncap” the Fund and resume distributing units may be a conflict of interest matter.

In order to control for this conflict, RBC GAM may resume distributing units of a capped Fund if it believes that the Fund will be able to trade effectively in accordance with its mandate and existing unitholders will not be disadvantaged. There must be a sound reason for a decision to uncap distribution related to the best interests of the Fund and the decision must represent the business judgment of RBC GAM uninfluenced by considerations other than the best interests of the Fund.

Further, fund uncapping is reported to the Independent Review Committee each year.

RBC GAM has policies and procedures in place pertaining to the measurement, monitoring, mitigation and reporting of liquidity risks within the Fund.

Seed capital

RBC may, directly or indirectly, provide seed capital from time to time in any fund that RBC GAM launches (seed capital is the initial capital provided to form a fund and allow it to pursue its investment strategies). The decision of when and how to redeem RBC seed capital from a fund could be perceived as a conflict if a) RBC’s economic or other reasons to redeem seed capital are put ahead of the interests of the fund and its unitholders, b) it influences the investment strategy and performance expectations of the fund, and/or c) redemptions may have an adverse impact on the fund or its other unitholders. In order to control for this conflict there are control procedures to monitor large holdings and large transactions in each fund, including seed capital redemptions, with a view to managing the timing of trading activity that could negatively impact other security holders of the fund.

Gifts and entertainment

RBC GAM fund managers, portfolio managers, analysts, traders and certain other employees may receive gifts and/or business entertainment from third party service providers that could be provided with the intention of influencing the investment teams’ decision to use the services provided by such third parties. The impact of this could be that such third party service providers are chosen for personal reasons and not for reasons based on the best interests of RBC GAM and the Fund or the Underlying Funds. To manage this risk RBC GAM’s directors, officers and employees may not accept gifts and entertainment that may, or may appear to, compromise their ability to act in the best interest of RBC GAM and the Fund and the Underlying Funds, and must ensure that all gifts and entertainment received comply with RBC and RBC GAM policies. RBC GAM also has regular reporting requirements for certain employees who may be offered gifts and/or entertainment.

How the Fund and/or an Underlying Fund may engage in securities lending transactions, repurchase transactions and reverse repurchase transactions

A securities lending transaction occurs when the Fund or an Underlying Fund lends portfolio securities that it owns to a creditworthy institutional borrower. The borrower promises to return to such fund, at a later date, an equal number or amount of the same securities and to pay a fee to such fund for borrowing the securities. Such fund may recall the securities at any time. The borrower provides such fund with collateral consisting of cash and/or securities or non-cash collateral equal to a percentage of the market value of the loaned securities measured each business day. Therefore, that fund retains exposure to changes in the value of the securities loaned while earning additional income. If securities are on loan on the record date established for a particular

proxy voting matter, the lender is generally not entitled to exercise the voting right of such loaned securities.

A repurchase transaction occurs when the Fund or an Underlying Fund sells portfolio securities that it owns to a creditworthy institution for cash and simultaneously agrees to buy back the securities at a later date. Such fund retains exposure to changes in the value of the sold securities, but also earns additional income for participation in the repurchase transaction. In repurchase transactions, such fund receives any interest or dividends paid by the issuer of the securities while those securities are held by the other party to the transaction.

A reverse repurchase transaction occurs when the Fund or an Underlying Fund purchases portfolio securities from a creditworthy institution and simultaneously agrees to sell the securities back to the institution at a later date. The difference between such fund's purchase price for the securities and the resale price may provide that fund with additional income.

The Fund and/or an Underlying Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions without prior notice.

See *General Information about the RBC Commercial Mortgage Fund – Specific risks in respect of the RBC Commercial Mortgage Fund and the Underlying Funds – Securities lending, repurchase and reverse repurchase risk.*

Regulatory relief

The Manager has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of investment funds (referred to as “**funds**” in this section only) managed by the Manager and its affiliates. The Fund and/or the Underlying Funds managed by RBC

GAM may rely on certain of this relief from time to time.

The exemptions may only be relied upon by the funds where consistent with the investment objective of the funds.

Fund-of-fund relief

For this section only,

“**Consent Relief Jurisdictions**” mean British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon, Northwest Territories and Nunavut;

“**Investment Restriction Relief Jurisdictions**” means British Columbia, Alberta and Ontario;

“**Investment Restriction**” means the prohibition in the legislation of the Investment Restriction Relief Jurisdictions, prohibiting a mutual fund in Ontario, or a mutual fund, as the case may be, from knowingly making or holding an investment in:

- (i) any person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder; or
- (ii) an issuer in which any officer or director of the mutual fund, its management company or distribution company or an associate of any of them, or any person or company who is a substantial security holder of the mutual fund, its management company or its distribution company, has a significant interest;

“**Top Funds**” means mutual funds organized or to be organized as trusts governed by the laws of British Columbia or Ontario that are managed now or in the future by the Manager or its affiliate, and that are or will be offered for sale on a private placement basis

pursuant to prospectus exemptions under applicable securities legislation;

“Underlying Funds” in this section means the underlying offshore mutual funds, underlying non-prospectus mutual funds and underlying prospectus mutual funds managed or promoted by the Manager or its affiliate;

The Canadian securities regulatory authorities have granted relief to the Manager as follows:

- (a) in the Investment Restriction Relief Jurisdictions under the legislation of such jurisdictions, the Investment Restriction shall not apply to the Top Funds collectively, in respect of each Top Fund’s investment in Underlying Funds managed or promoted by the Manager or its affiliate;
- (b) in the Consent Relief Jurisdictions, under the legislation of such jurisdictions, the requirement in the legislation that prohibits a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to purchase securities of an issuer in which a responsible person or an associate of the responsible person is a partner, director or officer unless the fact is disclosed to the client and the written consent of the client to the purchase is obtained before the purchase shall not apply to the Manager, or its affiliate, as the manager of the Top Funds in respect of each Top Fund’s investment in securities of the Underlying Funds;
- (c) in Ontario, British Columbia, Alberta, Saskatchewan, Nova Scotia, New Brunswick and Newfoundland and Labrador under the legislation of such jurisdictions, the requirement of a management company or, in the case of British Columbia, a mutual fund

manager, to file a report of every transaction of purchase or sale of securities between a mutual fund it manages and any related person or company and any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, a mutual fund is a joint participant with one or more of its related persons or companies, in respect of each mutual fund to which it provides services or advice, within 30 days after the end of the month in which it occurs, shall not apply to the Manager, or its affiliate, in respect of each Top Fund’s purchase or sale of securities of an underlying prospectus mutual fund and in British Columbia in respect of each Top Fund’s purchase or sale of securities of an underlying pooled fund that is organized or will be organized as trusts governed under the laws of British Columbia.

The aforementioned relief is granted, subject to the following conditions, in each case:

- (a) securities of each Top Fund are distributed only on a private placement basis pursuant to available prospectus exemptions in NI 45-106;
- (b) the investment by each Top Fund in an Underlying Fund is compatible with the fundamental investment objective of the Top Fund;
- (c) each Top Fund does not vote any of the securities it holds of an Underlying Fund except that the Top Fund may, if the Manager so chooses, arrange for all the securities it holds of an Underlying Fund to be voted by the beneficial holders of securities of the Top Fund;
- (d) no management or other fees are payable by a Top Fund that, to a reasonable person, would duplicate a fee payable by an Underlying Fund for the same service;

- (e) no sales fees or redemption charges are payable by the Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund;
- (f) no Top Fund will invest in an Underlying Fund unless the Underlying Fund invests less than 10% of its net assets in other mutual funds other than mutual funds that are “money market funds” as defined by NI 81-102 or that issue “index participation units” as defined by NI 81-102;
- (g) the offering memorandum or a similar document of a Top Fund, or, if no offering memorandum or similar document is prepared, another document provided to investors in a Top Fund, will disclose:
 - (i) the intent of the Top Fund to invest its assets in securities of the Underlying Funds;
 - (ii) that the Underlying Funds are managed by the Manager or an affiliate of the Manager;
 - (iii) the approximate or maximum percentage of net assets of the Top Fund that is intended to be invested in securities of the Underlying Funds; and
 - (iv) the process or criteria used to select the Underlying Funds;
- (h) investors in each Top Fund are entitled to receive from the Manager or its affiliate, on request and free of charge, a copy of the offering memorandum or other disclosure documents (if any), or the annual or semi-annual financial statements (if any) relating to all Underlying Funds in which the Top Fund may invest its assets; and
- (i) prior to the time of investment, investors in a Top Fund will (if applicable) be provided with disclosure that certain

officers or directors of the Manager or associates of any of them may have a significant interest in the Underlying Funds through investments made in securities of such Underlying Funds and will be advised of the potential conflicts of interest which may arise from such relationships. The foregoing disclosure will be contained in any offering memorandum or similar document of the Top Fund or, if no offering memorandum or similar document is prepared, in another document provided to investors in a Top Fund.

Investment restrictions

Purchase of securities of related issuers

The Manager has received relief which permits the funds to purchase debt securities of a related issuer, provided that:

- (i) the transaction occurs in the secondary market;
- (ii) the debt security has an approved rating by an approved credit rating organization; and
- (iii) the price payable is not more than the ask price of the security determined as follows:
 - (A) if the purchase occurs on a marketplace, in accordance with the requirements of the marketplace; and
 - (B) if the purchase does not occur on a marketplace,
 - a. the price at which an independent seller is willing to sell or
 - b. not more than the price quoted publicly by an independent marketplace or obtained from an independent party.

The Manager has also received relief which permits a fund to purchase debt securities of

a related issuer (other than asset-backed securities), with a term to maturity of 365 days or more, offered in the primary market (i.e. from the issuer) (an offering), provided that:

- (i) the size of the offering is at least \$100 million;
- (ii) at least two arm's-length purchasers collectively purchase at least 20% of the securities issued in the offering;
- (iii) following the purchase, the fund does not have more than 5% of its net assets invested in the debt securities of the issuer;
- (iv) following the purchase, the fund, together with other related funds, do not hold more than 20% of the securities issued in the offering; and
- (v) the purchase price is no more than the lowest price paid by any arm's-length purchaser.

Purchase of securities from related dealers – principal trading

The Manager has received relief which permits a fund to purchase debt securities from or sell debt securities to a related party that is a principal dealer in the Canadian debt securities market and/or an international debt securities market, provided that:

- (i) the bid and ask price of the security must be determined by reference to a quote from an independent party if not publicly available;
- (ii) a purchase must not be executed at a price higher than the ask price and a sale must not be executed at a price which is lower than the bid price; and
- (iii) the purchase or sale is subject to "market integrity requirements", as defined under applicable Canadian securities legislation, and any equivalent transparency and trade

reporting requirements applicable to the purchase or sale of debt securities in international debt securities markets.

Purchase and sale of mortgages from and to related parties – principal trading

The Manager has received relief which permits Underlying Funds to purchase or sell Canadian or U.S. commercial mortgages from or to Royal Bank or another affiliate of RBC GAM (each an "RBC Entity") provided that:

- (i) The purchase or sale shall be consistent with the investment objective(s) of the Fund;
- (ii) RBC GAM receives no remuneration with respect to the Purchase or sale by a Fund, and with respect to the delivery of a mortgage, the only expenses which will be incurred by a Fund will be nominal administrative charges levied by the custodian of the Fund, any charges ordinarily incurred in transferring the mortgages, if applicable, and any servicing fees of the mortgages thereafter;
- (iii) Each mortgage purchased by a Fund from an RBC Entity or sold to an RBC Entity by a Fund is valued by an independent and reputable firm that specializes in the valuation of commercial mortgages or that provides valuation services by professionals who are active members of the Canadian Institute of Chartered Business Valuators, at a price determined in accordance with the provisions of section iii(2)(2.4) of National Policy 29 *Mutual Funds Investing in Mortgages*;

- (iv) After the later of the initial 180 day period following the launch of a Fund or until such time that a Fund has a net asset value of over \$500 million, no Fund shall purchase mortgages from an RBC Entity if, after the purchase, more than 50% of its net asset value would consist of mortgages purchased from an RBC Entity;
- (v) The financial statements of the Fund present the mortgages at fair value as defined in IFRS 13 *Fair Value Measurement*, as the same may be amended or replaced from time to time; and
- (vi) Each Fund will keep written records that include details of the mortgages received or delivered by the Fund and the value assigned to such mortgages for a period of five years following the end of the financial year in which the mortgage was received or delivered by Fund.

Please also see *Purchases, Switches and Redemptions - Determining the price of a mortgage when purchasing from or selling to a related party* and *Additional Information – Fund-specific conflicts of interest* earlier in this document.

Inter-fund trades

RBC GAM has also obtained relief which permits the funds to engage in certain trades of portfolio securities with discretionary accounts and other investment funds managed by RBC GAM or related parties.

Recordkeeping, disclosure and Independent Review Committee involvement

Appropriate records of the transactions described above (referred to collectively as “**Related Party Trading Activities**”) must be

maintained and, in certain cases, particulars must be disclosed in the financial statements of the Fund or filed with securities regulatory authorities. In addition, the Independent Review Committee must approve the policies and procedures of RBC GAM in respect of Related Party Trading Activities.

The Independent Review Committee has approved standing instructions in respect of Related Party Trading Activities by the Fund. In accordance with the conditions of the applicable standing instructions of the Independent Review Committee, the Independent Review Committee typically reviews these activities on a quarterly basis. In its review, the Independent Review Committee considers whether investment decisions in respect of Related Party Trading Activities:

- were made by RBC GAM in the best interests of the Fund and were free from any influence of Royal Bank and without taking into account any consideration relevant to an entity related to Royal Bank or its associates or affiliates;
- were in compliance with the conditions of the policies and procedures of RBC GAM;
- were in compliance with the applicable standing instructions of the Independent Review Committee; and
- achieved a fair and reasonable result for the Fund.

Reliance on prospectus exemptions and certain required disclosure

Units of the Fund are offered pursuant to certain exemptions from the prospectus requirements of the securities legislation of the provinces and territories of Canada. Purchasers may be required to acquire units at an aggregate acquisition cost of not less than an amount prescribed by applicable securities legislation. Subscribers for units of the Fund will be required to execute an investment management agreement or a subscription agreement and may be required

to execute such certificates and other documents to evidence their eligibility and entitlement to rely on such exemptions.

Applicable securities legislation requires that the Fund notifies the investor that (i) the investor's full name, residential address, telephone number, number and type of securities purchased, the total purchase price and the prospectus exemption relied on must be delivered by the Fund to the relevant Canadian securities regulatory authority, (ii) the information is collected indirectly by such regulatory authorities under the authority granted to it in securities legislation for the purposes of the administration and enforcement of the securities legislation of Ontario, and (iii) the officials set out in Schedule "B" can answer questions about the indirect collection of the information. Such investors, by their investment, will be deemed to have consented to the indirect collection of the information by the relevant Canadian securities regulatory authority.

WHAT ARE YOUR LEGAL RIGHTS?

Securities legislation in certain of the provinces and territories of Canada provides purchasers with, in addition to any other

rights they may have at law, a remedy for rescission or damages, or both, where this Offering Memorandum and any amendment to it and, in some cases, advertising and sales literature used in connection therewith, contains a misrepresentation (as such term may be defined in the applicable legislation). However, those remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed in applicable legislation. Further, such rights may depend on the particular private placement exemption relied upon by the issuer. Each purchaser should refer to the provisions of the applicable legislation for the particulars of these rights or consult with a legal adviser.

The summary of the rights of rescission or to damages, or both, available to purchasers under the securities legislation of certain of the provinces and territories of Canada or provided by contract are set forth in Schedule "A" hereto. Such rights are expressly conferred upon investors by the delivery of this Offering Memorandum.

SCHEDULE “A” – PURCHASERS’ RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

The statutory rights of action and rescission available to purchasers where there is a misrepresentation are set forth below for Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon. For the purposes of the following, “misrepresentation” in this Schedule “A” means an untrue statement of a material fact, or an omission to state a material fact that is required to be stated, or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

The rights of action and rescission described below are in addition to, and without derogation from, any right or remedy available at law to the purchaser and are subject to the defences contained in those laws. These remedies must be exercised by the purchaser within the time limits set out below. Purchasers should refer to the available provisions of securities laws for the complete text of these rights or consult with a legal advisor.

Saskatchewan

Section 138 of The Securities Act, 1988 (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum, such as this Offering Memorandum, or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation, a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that misrepresentation and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the issuer or a selling security holder on whose behalf the distribution is made;

- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation

or believed that there had been a misrepresentation;

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

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered;
- (b) after the filing of the offering memorandum or any amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation, the person or company withdrew the person's or company's consent to the memorandum and gave reasonable general notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

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

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

Manitoba

Section 141.1 of the *Securities Act* (Manitoba) provides that if an offering memorandum, such as this Offering Memorandum contains a misrepresentation a purchaser resident in Manitoba is deemed to have relied on the misrepresentation and has a right of action against the applicable issuer, every director of the issuer at the date of the memorandum and every person or company who signed the memorandum for damages, or alternatively, for rescission, provided that:

- (a) no action may be commenced to enforce a right of action:
 - (i) for rescission, more than 180 days after the date of the purchase; or

- (ii) for damages, the earlier of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (B) two years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) no person or company (excluding the issuer) will be liable if the person or company proves that (i) the memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware of its delivery, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge or consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (excluding the issuer) will be liable with respect to any part of the memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been on

misrepresentation, or believed that there had been a misrepresentation;

- (e) in action for damages, a defendant will not be liable for any portion of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (f) in no case shall the amount recoverable exceed the price at which the securities were sold to the purchaser.

Ontario

Section 130.1 of the *Securities Act* (Ontario) provides that in the event that an offering memorandum, such as this Offering Memorandum, together with any amendment hereto, delivered to a purchaser of units resident in Ontario contains a misrepresentation and it was a misrepresentation at the time of purchase of units by such purchaser, the purchaser will have, without regard to whether the purchaser relied on such misrepresentation, a right of action against a fund for damages or, while still the owner of units of a fund purchased by that purchaser, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against a fund, provided that:

- (a) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:
 - (i) in the case of an action for rescission, 180 days after the date of purchase; or
 - (ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the misrepresentation, and (B) three years after the date of purchase;
- (b) the fund, will not be liable if it proves that the purchaser purchased the units with knowledge of the misrepresentation;

- (c) in the case of an action for damages, the fund will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the units as a result of the misrepresentation relied upon;
- (d) the fund will not be liable for a misrepresentation in forward-looking information if the fund proves:
 - (i) that the offering memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information;
 - (ii) the reasonable cautionary language and disclosure of material factors appear proximate to the forward-looking information; and
 - (iii) the fund has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information; and
- (e) in no case will the amount recoverable in any action exceed the price at which the units were offered.

The foregoing rights do not apply if the purchaser is:

- (a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank;
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the

subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

New Brunswick

Section 150(1) of the *Securities Act* (New Brunswick) provides that where a memorandum, such as this Offering Memorandum, is delivered to a purchaser resident in New Brunswick and contains a misrepresentation that was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied on the misrepresentation and will have a right of action against the issuer or selling securityholder for damages or, alternatively, while still the owner of the purchased securities, for rescission, provided that:

- (a) no action may be commenced to enforce a right of action:
 - (i) for rescission, more than 180 days after the date of the purchase; or
 - (ii) for damages, more than the earlier of (A) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, and (B) six years after the date of the purchase;
- (b) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) in an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum; and
- (e) no person or company will be liable for a misrepresentation in forward-looking information if the person or company proves that:
 - (i) the memorandum contains, proximate to the forward-looking

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

- (ii) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (f) no person or company (but excluding the issuer or selling securityholder) will be liable if it proves that (i) the memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, (ii) after the delivery of the memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the memorandum, the person or company withdrew the person's or company's consent to the memorandum and gave reasonable general notice of the withdrawal and the reason for it, or (iii) with respect to any part of the memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; and

- (g) no person or company (but excluding the issuer or selling securityholder) will be liable with respect to any part of the memorandum not purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or, (ii) believed that there had been a misrepresentation.

Nova Scotia

Section 138 of the *Securities Act* (Nova Scotia) states that in the event that an offering memorandum, such as this Offering Memorandum, together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) used in connection with an offering memorandum, contains a misrepresentation, any investor in Nova Scotia who purchases securities offered thereunder shall be deemed to have relied on such misrepresentation, if it was a misrepresentation at the time of purchase, and shall have, subject as hereinafter provided, a right of action either for damages against the seller, every director of the seller at the date of the offering memorandum and every person who signed the offering memorandum, or alternatively for rescission, exercisable against the seller provided that:

- (a) no person or company will be held liable if it proves that the investor purchased the securities with knowledge of the misrepresentation;
- (b) in an action for damages, the seller will not be liable for all or any portion of such damages that it proves does not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- (c) no person or company will be liable if the person or company proves that (i) the offering memorandum or amendment thereto was sent or delivered to the

purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, (ii) after delivery of the offering memorandum or amendment thereto and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the memorandum, the person or company withdrew the person's or company's consent to the memorandum and gave reasonable general notice of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum or amendment thereto purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum or amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

- (d) no person or company will be liable with respect to any part of the memorandum not purporting to be made on the authority of an expert, or to be a copy, or an extract from, a report, opinion or statement of expert unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation; and
- (e) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum or amendment thereto.

No action shall be commenced to enforce the rights of action more than 120 days after the date on which payment was made for the

securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

Prince Edward Island

Section 112(1) of the *Securities Act* (Prince Edward Island) provides that if an offering memorandum, such as this Offering Memorandum, contains a misrepresentation, a purchaser resident in Prince Edward Island who purchased a security under this memorandum will be deemed to have relied upon the misrepresentation and will have a right of action against the applicable issuer, the selling securityholder on whose behalf the distribution is made, every director of the issuer at the date of this memorandum and every person who signed this memorandum for damages or, alternatively, for rescission, exercisable against the issuer or the selling securityholder on whose behalf the distribution is made, provided that:

- (a) no action shall be commenced to enforce a right of action:
 - (i) for rescission, more than 180 days after the date of the purchase; or
 - (ii) for any action other than rescission, the earlier of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action, or (B) three years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) no person or company (but excluding the issuer or selling securityholder) will be liable if it proves that (i) the memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent, (ii) on becoming aware of the misrepresentation in the memorandum, the person or company withdrew the person's or company's consent to the memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person or company (but excluding the issuer or selling securityholder) will be liable with respect to any part of the memorandum not purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or, (ii) believed that there had been a misrepresentation;
- (e) in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (f) in no case shall the amount recoverable exceed the price at which the securities were sold to the purchaser.

Newfoundland and Labrador

Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides that where an offering memorandum, such as this Offering Memorandum, is delivered to a

purchaser resident in Newfoundland and Labrador and it contains a misrepresentation, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum, and every person or company who signed the offering memorandum. In addition, such purchaser has a right of rescission against the issuer. If a purchaser elects to exercise a right of rescission against the issuer, the purchaser has no right of action for damages.

Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for an action for damages or rescission:

- (a) where the person or company proves that the purchaser had knowledge of the misrepresentation;
- (b) where the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (c) if the person or company proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (d) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:

- (i) there had been a misrepresentation; or
- (ii) the relevant part of the offering memorandum:
 - (A) did not fairly represent the report, opinion or statement of the expert; or
 - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert; and
- (e) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:
 - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (ii) believed there had been a misrepresentation.

Of the above defences, the issuer shall only be able to rely on (a) above.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum.

In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

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

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

- (ii) three years after the date of the transaction that gave rise to the cause of action.

Northwest Territories

Section 112 of the *Securities Act* (Northwest Territories) provides that where an offering memorandum, such as this Offering Memorandum, is delivered to a purchaser resident in the Northwest Territories and it contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution is deemed to have relied on the misrepresentation, and has a right of action for damages against the issuer, the selling securityholder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum, and every person who signed the offering memorandum. In addition, such a purchaser also has a right of rescission against the issuer or the selling securityholder on whose behalf the distribution is made.

These rights are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or the selling securityholder on whose behalf the distribution is made, it shall have no right of action for damages against that party;
- (b) a person or company will not be liable if the person or company proves that the purchaser purchased the securities with the knowledge of the misrepresentation;
- (c) a person or company (other than the issuer or selling securityholder on whose behalf the distribution is made) will not be liable if:
 - (i) the offering memorandum was sent to the purchaser without the person or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the

knowledge and consent of that person or company;

- (ii) the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that:
 - (A) there had been a misrepresentation; or
 - (B) the relevant part of the offering memorandum did not fairly represent the report, statement or opinion of the expert or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
- (iv) for any part of an offering memorandum that is not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person or company:
 - (A) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (B) believed that there had been a misrepresentation.

In addition, no person or company will be liable if:

- (a) the offering memorandum containing the forward-looking information contained, proximate to the forward-looking information,

- (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

In an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the misrepresentation.

The amount recoverable by the purchaser in an action for damages must not exceed the price at which the securities purchased by the purchaser were offered.

No action may be commenced to enforce a right of action more than the earlier of:

- (a) in the case of an action for rescission, 180 days after the date of the purchase; or
- (b) in the case of an action for damages, (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase.

Nunavut

Section 112 of the *Securities Act* (Nunavut) provides that where an offering memorandum, such as this Offering Memorandum, is delivered to a purchaser resident in Nunavut and it contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution is deemed to have relied on the misrepresentation, and has a right of action

for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum, and every person who signed the offering memorandum. In addition, such a purchaser also has a right of rescission against the issuer or the selling security holder on whose behalf the distribution is made.

These rights are subject to certain limitations, including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or the selling security holder on whose behalf the distribution is made, it shall have no right of action for damages against that party;
- (b) a person or company will not be liable if the person or company proves that the purchaser purchased the securities with the knowledge of the misrepresentation;
- (c) a person or company (other than the issuer or selling security holder on whose behalf the distribution is made) will not be liable if:
 - (i) the offering memorandum was sent to the purchaser without the person or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of that person or company;
 - (ii) the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or

opinion of an expert, the person had no reasonable grounds to believe and did not believe that:

- (A) there had been a misrepresentation; or
 - (B) the relevant part of the offering memorandum did not fairly represent the report, statement or opinion of the expert or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
- (iv) for any part of an offering memorandum that is not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person or company:
- (A) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (B) believed that there had been a misrepresentation.

In addition, no person or company will be liable if:

- (a) the offering memorandum containing the forward-looking information contained, proximate to the forward-looking information,
 - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or

making the forecasts or projections set out in the forward-looking information.

In an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the misrepresentation.

The amount recoverable by the purchaser in an action for damages must not exceed the price at which the securities purchased by the purchaser were offered.

No action may be commenced to enforce a right of action more than the earlier of:

- (a) in the case of an action for rescission, 180 days after the date of the purchase; or
- (b) in the case of an action for damages, (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase.

Yukon

Section 112 of the *Securities Act* (Yukon) provides that where an offering memorandum, such as this Offering Memorandum, is delivered to a purchaser resident in the Yukon and it contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution is deemed to have relied on the misrepresentation, and has a right of action for damages against the issuer, the selling securityholder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum, and every person who signed the offering memorandum. In addition, such a purchaser also has a right of rescission against the issuer or the selling securityholder on whose behalf the distribution is made.

These rights are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or the

selling securityholder on whose behalf the distribution is made, it shall have no right of action for damages against that party;

- (b) a person or company will not be liable if the person or company proves that the purchaser purchased the securities with the knowledge of the misrepresentation;
- (c) a person or company (other than the issuer or selling securityholder on whose behalf the distribution is made) will not be liable if:
 - (i) the offering memorandum was sent to the purchaser without the person or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of that person or company;
 - (ii) the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
 - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that:
 - (A) there had been a misrepresentation; or
 - (B) the relevant part of the offering memorandum did not fairly represent the report, statement or opinion of the expert or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
 - (iv) for any part of an offering memorandum that is not purporting to

be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person or company:

- (A) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (B) believed that there had been a misrepresentation.

In addition, no person or company will be liable if:

- (a) the offering memorandum containing the forward-looking information contained, proximate to the forward-looking information,
 - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

In an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the misrepresentation.

The amount recoverable by the purchaser in an action for damages must not exceed the price at which the securities purchased by the purchaser were offered.

No action may be commenced to enforce a right of action more than the earlier of:

- (a) in the case of an action for rescission, 180 days after the date of the purchase; or
- (b) in the case of an action for damages, (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase.

Other Canadian jurisdictions

The foregoing summaries are subject to the express provisions of *The Securities Act, 1988* (Saskatchewan), the *Securities Act* (Manitoba), the *Securities Act* (Ontario), the *Securities Act* (New Brunswick), the *Securities Act* (Nova Scotia), the *Securities Act* (Prince Edward Island), the *Securities Act* (Newfoundland and Labrador), the *Securities Act* (Northwest Territories), the *Securities Act* (Nunavut) and the *Securities Act* (Yukon) and the regulations and policy statements thereunder, and reference is made thereto for the complete text of such provisions.

Although securities legislation in Alberta, British Columbia and Québec do not provide or require the Fund to provide to unitholders resident in these jurisdictions any rights of action if this Offering Memorandum, any amendment hereto or any document incorporated herein by reference, contains a misrepresentation, the Fund hereby grants to such unitholders the equivalent contractual rights of action as are described above for unitholders resident in Ontario.

General

The rights summarized above are in addition to and without derogation from any other rights or remedies available at law to an investor.

SCHEDULE "B" – COLLECTION AND USE OF PERSONAL INFORMATION**Alberta Securities Commission**

Suite 600, 250 – 5th Street SW
Calgary, Alberta T2P 0R4
Telephone: 403-297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: 403-297-2082
Public official contact regarding indirect collection of information: FOIP Coordinator

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: 604-899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: 604-899-6581
Email: FOI-privacy@bcsc.bc.ca
Public official contact regarding indirect collection of information: FOI Inquiries

The Manitoba Securities Commission

500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: 204-945-2561
Toll free in Manitoba: 1-800-655-5244
Facsimile: 204-945-0330
Public official contact regarding indirect collection of information: Director

Financial and Consumer Services Commission (New Brunswick)

85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: 506-658-3060
Toll free in Canada: 1-866-933-2222
Facsimile: 506-658-3059
Email: info@fcnb.ca
Public official contact regarding indirect collection of information: Chief Executive Officer and Privacy Officer

Government of Newfoundland and Labrador Financial Services Regulation Division

P.O. Box 8700 Confederation Building 2nd Floor, West Block Prince Philip Drive St. John's, Newfoundland and Labrador A1B

4J6 Attention: Director of Securities
Telephone: 709-729-4189
Facsimile: 709-729-6187
Public official contact regarding indirect collection of information: Superintendent of Securities

Government of the Northwest Territories Office of the Superintendent of Securities

P.O. Box 1320 Yellowknife, Northwest Territories X1A 2L9
Telephone: 867-767-9305
Facsimile: 867-873-0243
Public official contact regarding indirect collection of information: Superintendent of Securities

Nova Scotia Securities Commission

Suite 400, 5251 Duke Street
Duke Tower, P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: 902-424-7768
Facsimile: 902-424-4625
Public official contact regarding indirect collection of information: Executive Director

Government of Nunavut Department of Justice Legal Registries Division

P.O. Box 1000, Station 570 1st Floor, Brown Building Iqaluit, Nunavut X0A 0H0
Telephone: 867-975-6590
Facsimile: 867-975-6594
Public official contact regarding indirect collection of information: Superintendent of Securities

Ontario Securities Commission

20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: 416-593- 8314
Toll free in Canada: 1-877-785-1555
Facsimile: 416-593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of information: Inquiries Officer

Prince Edward Island Securities Office

95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000

Charlottetown, Prince Edward Island C1A
7N8
Telephone: 902-368-4569
Facsimile: 902-368-5283
Public official contact regarding indirect
collection of information: Superintendent of
Securities

Autorité des marchés financiers

800, rue du Square-Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: 514-395-0337 or 1-877-525-
0337
Facsimile: 514-873-6155 (For filing
purposes only)
Facsimile: 514-864-6381 (For privacy
requests only)
Email:
fonds_dinvestissement@lautorite.qc.ca
Public official contact regarding indirect
collection of information: Corporate
Secretary

Financial and Consumer Affairs

Authority of Saskatchewan

Suite 601 – 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: 306-787-5842
Facsimile: 306-787-5899
Public official contact regarding indirect
collection of information: Director

**Office of the Superintendent of
Securities Government of Yukon
Department of Community Services**

307 Black Street, 1st Floor P.O. Box 2703,
C-6 Whitehorse, Yukon Y1A 2C6
Telephone: 867-667-5466
Facsimile: 867-393-6251
Email: securities@gov.yk.ca
Public official contact regarding indirect
collection of information: Superintendent of
Securities



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