



REAL ESTATE SPLIT CORP.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2023

March 27, 2024

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NAME AND FORMATION OF THE FUND

Real Estate Split Corp. (the “Fund”) is a mutual fund incorporated under the laws of Ontario by Articles of Incorporation (as amended, restated, supplemented or replaced from time to time, the “Articles”) dated October 7, 2020. Since the establishment of the Fund, the Articles have been amended or changed as follows. The Articles were amended by Articles of Amendment dated November 12, 2020 to, among other things, create an unlimited number of shares designated as preferred shares of the Fund (“Preferred Shares”), to create an unlimited number of shares designated as Class A shares of the Fund (“Class A Shares” and collectively with Preferred Shares, the “Traded Shares”), and to amend the rights, privileges, restrictions and conditions attaching to the shares designated as Class M shares (“Class M Shares” and collectively with the Traded Shares, the “Shares”).

Middlefield Limited is the manager (the “Manager”) of the Fund.

The investment advisor of the Fund is Middlefield Capital Corporation (“MCC” or the “Advisor”). The head office of the Fund is at The Well, 8 Spadina Avenue, Suite 3100, Toronto, Ontario M5V 0S8.

HISTORY OF THE FUND

On November 19, 2020, pursuant to the Fund’s prospectus (the “Prospectus”) dated October 28, 2020, 1,613,887 Class A Shares were issued at a price of \$15.00 per Class A Share and 1,613,887 Preferred Shares were issued at a price of \$10.00 per Preferred Share (the “Offering”). Of the total number of Class A Shares issued, 64,921 Class A Shares were issued pursuant to the Fund’s exchange option purchase method, in exchange for certain exchange eligible securities. Of the total number of Preferred Shares issued, 11,382 Preferred Shares were issued pursuant to the Fund’s exchange option purchase method, in exchange for certain exchange eligible securities.

On August 17, 2021, the Fund announced a 30% increase in its target monthly distribution amount for the 12 month period ending August 2022, from \$1.20 per Class A Share annually to \$1.56 per Class A Share annually, payable monthly. The increased distribution rate took effect for the distribution payable to Class A shareholders of record as of August 31, 2021 and the Fund has paid distributions in that amount in every month since.

On August 30, 2021, pursuant to a prospectus supplement, the Fund issued 1,027,000 Class A Shares at a price of \$20.50 per Class A Share and 1,027,000 Preferred Shares at a price of \$10.00 per Preferred Share.

On February 9, 2022, pursuant to a prospectus supplement, the Fund issued 550,425 Class A Shares at a price of \$19.10 per Class A Share and 550,425 Preferred Shares at a price of \$10.55 per Preferred Share.

On May 12, 2022, pursuant to a prospectus supplement, the Fund issued 539,600 Class A Shares at a price of \$18.00 per Class A Share and 539,600 Preferred Shares at a price of \$10.10 per Preferred Share.

On June 29, 2022, pursuant to a prospectus supplement, the Fund issued 397,800 Class A Shares at a price of \$15.30 per Class A Share and 397,800 Preferred Shares at a price of \$10.12 per Preferred Share.

On October 12, 2022, pursuant to a prospectus supplement, the Fund issued 489,950 Class A Shares at a price of \$14.40 per Class A Share and 489,950 Preferred Shares at a price of \$9.80 per Preferred Share.

On November 15, 2022, pursuant to a prospectus supplement, the Fund issued 644,400 Class A Shares at a price of \$13.90 per Class A Share and 644,400 Preferred Shares at a price of \$9.45 per Preferred Share.

On March 30, 2023, pursuant to a prospectus supplement, the Fund issued 340,500 Class A Shares at a price of \$14.60 per Class A Share and 383,500 Preferred Shares at a price of \$9.65 per Preferred Share.

On June 29, 2023, pursuant to a prospectus supplement, the Fund issued 393,700 Class A Shares at a price of \$14.25 per Class A Share and 500,500 Preferred Shares at a price of \$9.35 per Preferred Share.

On July 24, 2023, TSX Trust Company became the transfer agent & registrar for the Fund.

On September 28, 2023, pursuant to a prospectus supplement, the Fund issued 543,860 Class A Shares at a price of \$13.40 per Class A Share and 629,360 Preferred Shares at a price of \$9.55 per Preferred Share.

The Fund announced on February 3, 2023 that it has established an at-the-market equity program (“ATM Program”) that allows the fund to issue Class A and Preferred Shares to the public from time to time. The ATM Program is being offered pursuant to a prospectus supplement dated January 16, 2023 to the Fund’s short form base shelf prospectus dated January 11, 2023. The ATM Program will be effective until February 13, 2025, unless terminated prior to such date by the Company.

INVESTMENT RESTRICTIONS

The Fund is considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is subject to and managed in accordance with the various policies and regulations that apply to mutual funds, including those provisions of National Instrument 81-102 - *Investment Funds* (“NI 81-102”) that apply to mutual funds, but is not subject to the various policies and regulations that do not apply to mutual funds, including certain provisions of NI 81-102.

Provided that the Fund qualifies as a “mutual fund corporation” for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”), or the Traded Shares continue to be listed on a “designated stock exchange” within the meaning of the Tax Act (which includes the TSX), the Traded Shares will be qualified investments under the Tax Act for trusts governed by first home savings accounts (“FHSAs”), registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered education savings plans (“RESPs”), deferred profit sharing

plans (“DPSPs”), registered disability savings plans (“RDSPs”) and tax-free savings accounts (“TFSA”) and collectively with FHSAs, RRSPs, RRIFs, RESPs, DPSPs and RDSPs, the “Registered Plans”).

Provided that a holder of a FHSA, TFSA or RDSP, a subscriber of an RESP or an annuitant of an RRSP or RRIF, deals at arm’s length with and does not have a “significant interest” (within the meaning of the Tax Act) in the Fund, the Traded Shares will not be a prohibited investment under the Tax Act for such FHSA, TFSA, RDSP, RESP, RRSP or RRIF. The Fund has not deviated in the last year from the rules under the Tax Act relating to its Traded Shares’ status as qualified investments.

Investment Objectives

The investment objectives for the Preferred Shares are to provide holders with fixed cumulative preferential quarterly cash distributions and to return the original issue price of \$10.00 to holders on December 31, 2025 (the “Maturity Date”), subject to extension for successive terms of up to five years as determined by the Fund’s board of directors (the “Board of Directors”). The quarterly cash distribution will be \$0.13125 per Preferred Share \$0.525 per annum), representing a yield of 5.25% per annum on the issue price of \$10.00 per Preferred Share until December 31, 2025.

The investment objectives for the Class A Shares are to provide holders (together with holders of the Preferred Shares, the “Shareholders”) with non-cumulative monthly cash distributions and to provide holders with the opportunity for capital appreciation through exposure to the Portfolio. The monthly cash distribution is targeted to be \$0.13 per Class A Share (\$1.56 per annum), representing a yield of 10.0% per annum on the issue price of \$15.00 per Class A Share.

Investment Strategy

The Fund will invest in a diversified, actively managed portfolio (the “Portfolio”) of dividend-paying securities of issuers operating in the real estate or related sectors, including real estate investment trusts, that the Middlefield Capital Corporation (the “Advisor”) believes are well-positioned to benefit from low interest rates, the rapid adoption of e-commerce, the growth of data infrastructure as well as attractive valuations in various areas of the real estate sector (“Real Estate Issuers”).

The Fund will employ a tactical asset allocation strategy in order to seek the best combination of capital appreciation potential and income and will actively adjust the Portfolio’s asset allocation across sectors/themes, such as E-Commerce and cyclical REITs, based upon the Advisor’s outlook.

Investment Restrictions

The Fund cannot engage in any undertaking other than the investment of its assets in accordance with its investment objectives and strategy and in compliance with the investment restrictions set out in NI 81-102 that are applicable to mutual funds from time to time. In addition, the Fund is subject to the following investment restrictions (together with the Fund’s investment objectives and strategy, the “Investment Guidelines”) pursuant to which the Fund will not:

- (a) for a period of more than 30 consecutive days have:
 - (i) less than 75% of the value of the total assets of the Fund (excluding cash and cash equivalents) comprised of the securities of Real Estate Issuers;
 - (ii) more than 25% of the value of the total assets of the Fund (excluding cash and cash equivalents) comprised of the securities of issuers having a market capitalization of less than Cdn.\$1 billion; or
 - (iii) more than 15% of the value of the total assets of the Fund (excluding cash and cash equivalents) comprised of securities of issuers from countries which meet MSCI's definition of "emerging market country" and which are listed in MSCI's Emerging Market Index (which countries are selected on an annual basis);
- (b) write a call option in respect of any security unless such security is actually held by the Fund in the Portfolio at the time the option is written;
- (c) dispose of any security included in the Fund's Portfolio that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (d) purchase securities on margin or make short sales of securities or maintain short positions, other than in respect of short sales of securities or short positions maintained by the Fund for the purposes of hedging (as defined in NI 81-102) the exposure of the Portfolio to equity securities that are to be received by the Fund in connection with (i) the exercise by the Fund of a right to acquire such securities pursuant to a conversion or (ii) the exercise by the issuer of a right to issue such securities at maturity;
- (e) make or hold any investment or undertake any activity that would result in the Fund failing to qualify as a "mutual fund corporation" within the meaning of the Tax Act;
- (f) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) any interest in a non-resident trust other than an "exempt foreign trust" for the purposes of section 94 of the Tax Act, or (iii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to section 94.2 of the Tax Act;
- (g) invest in any security that is a "tax shelter investment" within the meaning of section 143.2 of the Tax Act;
- (h) make or hold any investment that would be "taxable Canadian property" of the Fund (as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof)) if it would result in the Fund owning such

properties having a fair market value greater than 10% of the fair market value of all of its property;

- (i) with the exception of securities of the Fund's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or the Advisor or any of their respective affiliates, with any officer, director or shareholder of any of them, with any person, trust, firm or corporation managed by the Manager or the Advisor or any of their respective affiliates or with any firm or corporation in which any officer, director or shareholder of the Manager or the Advisor may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any such purchase or sale of securities, the purchase price approximates the prevailing market price and such transaction is otherwise in accordance with applicable laws;
- (j) engage in securities lending that does not constitute a "securities lending arrangement" for purposes of the Tax Act; or
- (k) enter into any arrangement where the result is a "dividend rental arrangement" for purposes of the Tax Act.

The Fund will not be considered to have breached the investment restrictions set forth above and will not be required to dispose of any security in the Portfolio as a result of later changes to the value of such security, the Portfolio or the total assets of the Fund as a whole (except for the restrictions in paragraphs (e) to (k) above which must be complied with at all times and which may necessitate the sale of Portfolio securities from time to time) so long as any percentage restriction on investment or use of assets set forth above was adhered to at the time of purchase. If the Fund receives from an issuer subscription rights to purchase Portfolio securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund's holdings of Portfolio securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of Portfolio securities on exercise of those rights, the Fund has sold at least as many Portfolio securities of the same class and value as would result in the Fund complying with the restriction.

Change in Investment Guidelines

To change the fundamental investment objectives or investment restrictions of the Fund, a resolution must be passed by the affirmative vote of at least two-thirds of the holders of Preferred Shares and Class A Shares, each voting separately as a class, cast at a meeting of Shareholders duly called for such purpose (an "Extraordinary Resolution"). The foregoing is subject to the exceptions set out under the headings "**Description of Securities of the Fund – Meetings of Shareholders and Extraordinary Resolutions**".

Call Option Writing

While the Fund currently has no intention to do so, the Fund may choose to selectively write covered call options from time to time in respect of some or all of the securities in the Portfolio. Such call options may be either exchange traded options or over-the-counter options.

Since call options will be written only in respect of securities that are in the Portfolio and the Investment Restrictions of the Fund prohibit the sale of securities subject to an outstanding option, the call options will be covered call options at all times.

Based on the experience of the Manager using its tactical covered call writing strategy, the Manager expects there will be periods of time when the securities in the Portfolio will be subject to covered call options as well as periods when few or no covered call options will be written on the securities in the Portfolio.

Many investors and financial market professionals price call options based on the Black-Scholes Model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black-Scholes Model can be attained in the market.

Use of Other Derivative Instruments

While the Fund currently has no intention to do so, to the extent permitted by Canadian securities regulators from time to time, the Fund may purchase call options and put options in order to close out existing call options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market price of securities held by the Fund. The Fund may enter into trades to close out positions in such permitted derivatives.

Short Selling

The Fund may engage in short selling as permitted by securities laws for the purposes of hedging (as defined in NI 81-102) the exposure of the Portfolio to equity securities that are to be received by the Fund in connection with (i) the exercise by the Fund of a right to acquire securities pursuant to a conversion, or (ii) the exercise by the issuer of a right to issue such securities at maturity.

Securities Lending

In order to generate additional returns, the Fund is permitted to engage in securities lending and may engage in securities lending from time to time. The terms of any securities lending agreement entered into by the Fund will comply with the conditions for securities lending transactions set out in section 2.12 of NI 81-102.

DESCRIPTION OF SECURITIES OF THE FUND

The Fund is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class M Shares.

Class M Shares

The holders of Class M Shares are not entitled to receive dividends and are entitled to one vote per share. The Class M Shares are redeemable and retractable at a price of \$0.10 per Class M Share. There are 100 Class M Shares issued and outstanding.

All of the issued and outstanding Class M Shares of the Fund are owned by Real Estate Split Corp Holding Trust, a trust established for the benefit of the holders of the Class A Shares and Preferred Shares from time to time (other than Registered Plans). The Class M Shares rank subsequent to both the Preferred Shares and the Class A Shares with respect to the payment of any dividends and with respect to distributions of assets on the dissolution, liquidation or winding-up of the Fund. Until all the Class A Shares and Preferred Shares have been retracted, redeemed, or purchased for cancellation, no additional Class M Shares shall be issued.

Preferred Shares

The Preferred Shares rank in priority to the Class A Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund.

The Preferred Shares are rated Pfd-2 (low) by DBRS Limited. Preferred shares rated Pfd-2 (low) are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Pfd-2 (low) ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by DBRS Limited.

Class A Shares

The Class A Shares rank subsequent to the Preferred Shares with respect to the payment of distributions and the repayment of capital out of the portfolio on the dissolution, liquidation or winding up of the Fund. The Fund may sub-divide the Class A Shares into a greater number of Class A Shares in its discretion from time to time.

Fund Purchases

Subject to applicable law, the Fund may at any time or times purchase Preferred Shares and Class A Shares for cancellation at prices per Unit not exceeding the NAV per Unit on the business day immediately prior to such purchase up to a maximum in any twelve month period of 10% of the outstanding public float of Preferred Shares and Class A Shares.

Meetings of Shareholders and Extraordinary Resolutions

Except as required by applicable law, including in respect of certain matters set out in Part 5 of NI 81-102, or the Articles, the Traded Shareholders shall not be entitled to receive notice of, to attend or to vote at any meeting of the Shareholders of the Fund.

The following may only be undertaken with the approval of the holders of Preferred Shares and Class A Shares, each voting separately as a class, by an ordinary resolution, unless a greater majority is required by law, passed at a meeting called for the purpose of considering such ordinary resolution, provided that holders of Preferred Shares and Class A Shares holding at least 10% of the shares of the applicable class or classes outstanding on the record date of the meeting are present in person or by proxy:

- a) a reorganization with, or transfer of assets to, another issuer, if
 - i. the Fund ceases to continue after the reorganization or transfer of assets; and
 - ii. the transaction results in Traded Shareholders becoming securityholders in the other issuer; and
- b) a reorganization with, or acquisition of assets of, another issuer, if
 - i. the Fund continues after the reorganization or acquisition of assets;
 - ii. the transaction results in the securityholders of the other issuer becoming Shareholders of the Fund; and
 - iii. the transaction would be a significant change to the Fund; and
- c) except as described herein, a change of the Manager to the Fund, other than a change resulting in an affiliate of the Manager assuming such position.

The following matters may be undertaken only with the approval of holders of Preferred Shares and Class A Shares, each voting separately as a class, by an Extraordinary Resolution:

- a) a change in the investment objectives or investment restrictions of the Fund as described above, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time; and
- b) any amendment, modification or variation in the provisions or rights attaching to the Preferred Shares or Class A Shares.

Each Preferred Share and each Class A Share will have one vote at such a meeting.

The auditor of the Fund may be changed without the prior approval of the Traded Shareholders provided that the Independent Review Committee approves the change and Traded Shareholders are sent written notice at least 60 days before the effective date of the change.

Notwithstanding the foregoing, in certain circumstances, the Fund's reorganization with, or transfer of assets to, another mutual fund may be carried out without the prior approval of Traded Shareholders, provided that the Independent Review Committee approves the transaction pursuant to National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107"), the reorganization or transfer complies with certain requirements of NI 81-102 and NI 81-107, as applicable, and Traded Shareholders are sent written notice at least 60 days before the effective date of the change.

VALUATION OF PORTFOLIO SECURITIES

In determining the net asset value ("NAV" or "Net Asset Value") of the Fund at any time:

- (a) the value of any cash on hand or on deposit, bill, demand note and account receivable, prepaid expense, dividend, distribution or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the NAV of the Fund is being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, dividend, distribution, or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the NAV of the Fund is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;
- (b) the value of any security, that is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the NAV Valuation Date on which the NAV of the Fund is being determined, all as reported by any means in common use. For a retraction or redemption of the Fund's shares, the value of the constituent securities will be equal to the weighted average trading price of such securities over the last three business days prior to the relevant retraction date;
- (c) the value of any security which is traded over-the-counter will be priced at the average of the last bid and ask prices quoted by a major dealer or recognized information provider in such securities;
- (d) where a covered clearing corporation option, option on futures or an over-the-counter option is written, the option premium received by the Fund will, so long as the option is outstanding, be reflected as a deferred credit which will be valued at an amount equal to the fair market value of an option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV;
- (e) the value of a forward contract or swap shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract or swap were to be closed out in accordance with its terms;
- (f) the value of any security, or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the NAV of the Fund is being determined as determined by the Manager;
- (g) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Fund from the Custodian (as defined herein) on the Valuation Date on which NAV of the Fund is being determined;

- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at fair market value as determined by the Manager; and
- (i) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

The NAV is calculated in Canadian dollars in accordance with the rules and principles of the Canadian regulators, or in accordance with any exemptions therefrom that the Fund may obtain.

The NAV per Unit, NAV per Class A Share and NAV per Preferred Share are available to the public at no cost by calling 1-888-890-1868 and the NAV per Unit, NAV per Class A Share and NAV per Preferred Share are available on the Manager's website at www.middlefield.com. The Fund also makes the NAV per Class A Share and NAV per Preferred Share available to the financial press for publication on a daily basis.

CALCULATION OF NET ASSET VALUE

For reporting purposes other than financial statements, the NAV of the Fund on a particular date will be equal to (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred Shares will not be treated as liabilities for these purposes), including any distributions declared and not paid that are payable to Shareholders on or before such date, and less (iii) the stated capital of the Class M Shares (\$10).

The NAV per Unit on any day (the "Valuation Date") is determined as follows:

- If the NAV of the Fund is less than or equal to the aggregate Preferred Share redemption price which includes any accrued and unpaid distributions thereon (the "Preferred Share Amount") the NAV per Unit is calculated by dividing the NAV of the Fund on such day by the number of Preferred Shares then outstanding.
- If the NAV of the Fund is greater than the Preferred Share Amount, the NAV per Unit is calculated by (i) subtracting the Preferred Share Amount from the NAV of the Fund, (ii) dividing the difference by the number of Class A Shares then outstanding, and (iii) adding \$10 plus any accrued and unpaid distributions per Preferred Share to the result obtained in clause (ii).

In general, the NAV per Unit will be calculated as of 4:00 p.m. (Toronto time) each day. If a Valuation Date is not a business day, then the securities comprising the Fund's property will be valued as if such Valuation Date were the preceding business day.

Generally, the NAV per Preferred Share is equal to the lesser of (i) the NAV per Unit and (ii) \$10.00 plus accrued and unpaid distributions thereon and the NAV per Class A Share is equal

to the NAV per Unit minus the NAV per Preferred Share. The NAV, NAV per Unit, NAV per Preferred Share and NAV per Class A Share will be calculated in Canadian dollars.

PURCHASES OF SHARES

Shares of the Fund are not offered on a continuous basis and hence are not available to be purchased from the Fund, except in respect of Class A Shares acquired pursuant to the Reinvestment Plan. A holder of Class A Shares may elect to reinvest distributions received from the Fund in additional Class A Shares by notifying the Manager that the Shareholder wishes to participate in the Reinvestment Plan. Class A Shares of the Fund have a stock exchange listing and accordingly may be purchased in the market. The Class A Shares trade on the TSX under the symbol “RS”.

REDEMPTIONS AND RETRACTIONS OF SHARES

Redemptions

Preferred Shares

The Preferred Shares will be redeemed by the Fund on the Maturity Date. The redemption price payable by the Fund for a Preferred Share on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon and (ii) the NAV of the Fund on that date divided by the total number of Preferred Shares then outstanding.

Class A Shares

The Class A Shares will be redeemed by the Fund on the Maturity Date. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (i) the NAV per Unit on that date minus the sum of \$10.00 and any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

Retraction Privileges

Preferred Shares

Monthly

Preferred Shares may be surrendered at any time for retraction to the Registrar and Transfer Agent (as defined below) but will be retracted only on the second last business day of a month (the “Retraction Date”). Preferred Shares surrendered for retraction by 5:00 p.m. (Toronto time) on or before the twentieth business day prior to the Retraction Date will be retracted on such Retraction Date and the holder will be paid on or before the last business day of the following month (the “Retraction Payment Date”).

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the Net Asset Value per Unit determined as of such Retraction Date, less the cost to the Fund of the purchase of a Class A Share for cancellation; and (ii) \$10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission

and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Class A Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on the Preferred Shares, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date. Subject to the terms of the Fund's Recirculation Agreement (as defined below), on any monthly retraction of Preferred Shares the Fund will purchase or cause to be purchased for cancellation an equal number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at all material times.

Annual Concurrent Retraction

A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last business day of November of each year, commencing in 2022 (the "Annual Retraction Date") at a retraction price equal to the Net Asset Value per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on or before the twentieth business day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the last business day of the following month.

Non-Concurrent Retraction Right

On the Maturity Date and upon any subsequent maturity date as determined by the Board of Directors, a holder of Preferred Shares may retract such Preferred Shares. The Fund will provide at least 60 days' notice to holders of Preferred Shares of such right. The Preferred Shares must be surrendered for retraction by 5:00 p.m. (Toronto time) on the last business day of the month prior to the Maturity Date or subsequent maturity date, as applicable. The retraction price payable by the Fund for a Preferred Share pursuant to the non-concurrent retraction right will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon and (ii) the Net Asset Value of the Fund on that date divided by the total number of Preferred Shares then outstanding.

If more Class A Shares than Preferred Shares have been retracted pursuant to the non-concurrent retraction right, the Fund will be authorized to redeem Preferred Shares on a pro rata basis in a number to be determined by the Fund reflecting the extent to which the number of Preferred Shares outstanding following the non-concurrent retraction exceeds the number of Class A Shares outstanding following the non-concurrent retraction. Conversely, if more Preferred Shares than Class A Shares have been retracted pursuant to the non-concurrent retraction right, the Fund may issue Preferred Shares to the extent that the number of Class A Shares outstanding following the non-concurrent retraction exceeds the number of Preferred Shares outstanding following the non-concurrent retraction.

In connection with any extension, the distribution rates on the Preferred Shares and distribution target on the Class A Shares for the new term will be announced at least 60 days prior to the extension of the term. The new distribution rate for the Preferred Shares will be determined based on then-current market yields for preferred shares with similar terms.

Resale of Preferred Shares Tendered for Retraction

The Fund may enter into a recirculation agreement (a “Recirculation Agreement”) with a recirculation agent (a “Recirculation Agent”) whereby the Recirculation Agent will use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Date. The Fund may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the holder of Preferred Shares on the applicable Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission, provided that such amount will not be less than the retraction price that would otherwise be payable to the holder of such Preferred Shares.

Class A Shares

Monthly Retraction

Class A Shares may be surrendered at any time for retraction to the Registrar and Transfer Agent, but will be retracted only on the monthly Retraction Date. Class A Shares surrendered for retraction by 5:00 p.m. (Toronto time) on or before the twentieth business day prior to the monthly Retraction Date will be retracted on such Retraction Date and the shareholder will be paid on or before the Retraction Payment Date.

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the Net Asset Value per Unit determined as of such Retraction Date, and (ii) the cost to the Fund of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Preferred Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

Annual Concurrent Retraction

A holder of a Class A Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, commencing in 2022 at a retraction price equal to the Net Asset Value per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. For the purpose of calculating the Net Asset Value per Unit, the value of securities comprising the Portfolio will be equal to the weighted average trading price of such securities over the last three business days prior to the relevant retraction date as described under “Calculation of Net Asset Value – Valuation of Portfolio Securities”. The Class A Shares and the Preferred Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on or before the twentieth business day prior to the Annual Retraction Date. Payment of the proceeds of the retraction will be made on or before the last business day of the following month.

Non-Concurrent Retraction Right

On the Maturity Date and upon any subsequent maturity date as determined by the Board of Directors, a holder of Class A Shares may retract such Class A Shares. The Fund will provide at least 60 days' notice to holders of Class A Shares of such right. The Class A Shares must be surrendered for retraction by 5:00 p.m. (Toronto time) on the last business day of the month prior to the Maturity Date or subsequent maturity date, as applicable. The retraction price payable by the Fund for a Class A Share pursuant to the non-concurrent retraction right will be equal to the greater of (i) the Net Asset Value per Unit determined on that date minus the sum of \$10.00 and any accrued and unpaid distributions on the Preferred Share, and (ii) nil.

If more Preferred Shares than Class A Shares have been retracted pursuant to the non-concurrent retraction right, the Fund will be authorized to redeem Class A Shares on a pro rata basis in a number to be determined by the Fund reflecting the extent to which the number of Class A Shares outstanding following the non-concurrent retraction exceeds the number of Preferred Shares outstanding following the non-concurrent retraction. Conversely, if more Class A Shares than Preferred Shares have been retracted pursuant to the non-concurrent retraction right, the Fund may issue Class A Shares to the extent the number of Preferred Shares outstanding following the non-concurrent retraction exceeds the number of Class A Shares outstanding following the non-concurrent retraction.

In connection with any extension, the distribution rates on the Preferred Shares and distribution target on the Class A Shares for the new term will be announced at least 60 days prior to the extension of the term. The new distribution rate for the Preferred Shares will be determined based on then-current market yields for preferred shares with similar terms.

Resale of Class A Shares Tendered for Retraction

The Fund may enter into a Recirculation Agreement with a Recirculation Agent whereby the Recirculation Agent will use commercially reasonable efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Date. The Fund may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the holder of Class A Shares on the applicable Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission, provided that such amount will not be less than the retraction price that would otherwise be payable to the holder of such Class A Shares.

Suspension of Redemptions and Retractions

The Fund or the Manager may suspend the redemption and/or retraction of Class A Shares or Preferred Shares or payment of redemption or retraction proceeds (i) during any period when normal trading in securities owned by the Fund is suspended on the TSX and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund to execute trades in such securities, or (ii) subject to any required regulatory approvals, for any period not exceeding 120 days during which the Fund or the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Fund to determine the value of its assets, only with the prior approval of the securities regulatory authorities. The suspension may apply to all requests for retraction received prior to the suspension

but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Class A Shares and Preferred Shares making such requests shall be advised by the Manager of the suspension and that the retraction will be effected at a price determined on the first Retraction Date following the termination of the suspension. All such shareholders shall have and shall be advised that they have the right to withdraw their requests for retraction. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Fund or the Manager shall be conclusive.

RESPONSIBILITY FOR FUND OPERATIONS

Directors and Officers of the Fund

The name, municipality of residence, position held with the Fund and principal occupation of each of the directors and officers of the Fund are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with the Fund</u>	<u>Principal Occupation(s)</u>
DEAN ORRICO Vaughan, Ontario	President and Director	President and Chief Executive Officer of Middlefield Capital Corporation
CRAIG ROGERS Toronto, Ontario	Chief Financial Officer, Secretary and Director	Chief Operating Officer, Chief Compliance Officer and Director of Middlefield Limited
JEREMY BRASSEUR Toronto, Ontario	Director	Executive Chairman, Middlefield
WENDY TEO Toronto, Ontario	Director	Chief Financial Officer, Secretary-Treasurer and Vice President, Accounting of Middlefield Capital Corporation

Manager

The Manager, a wholly-owned subsidiary of MFL Management Limited (“MFL”), is responsible for managing the business and administration of the Fund pursuant to the terms of the

Management Agreement (described below). The address, phone number and website address of the Manager is The Well, 8 Spadina Avenue, Suite 3100, Toronto, Ontario M5V 0S8, 1-888-890-1868 outside Greater Toronto, 416-362-0714 in Greater Toronto, and www.middlefield.com. You can contact the Manager by e-mail at invest@middlefield.com.

The Manager has entered into a management agreement (the “Management Agreement”) with the Fund made as of October 28, 2020. Pursuant to the Management Agreement, the Manager will continue as manager until the termination of the Fund. The Manager receives a management fee for its services which is payable by the Fund and also is reimbursed for all reasonable costs and expenses incurred on behalf of the Fund. The Manager may resign in the event the Fund is in breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 30 days’ notice of such breach or default to the Fund. The Manager may not be removed by the Fund other than by an Extraordinary Resolution of the Traded Shareholders. In the event that the Manager is in breach or default of the provisions of the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days’ notice to the Manager of such breach or default, the Fund shall give notice to Traded Shareholders and if an Extraordinary Resolution is passed directing that the Fund remove the Manager and appoint a successor manager then the Management Agreement will terminate. The Manager will be deemed to have resigned in certain circumstances, including where it becomes bankrupt or insolvent.

The name, municipality of residence and principal occupation of each of the directors and officers of the Manager are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
DEAN ORRICO Vaughan, Ontario	President, Chief Executive Officer, Ultimate Designated Person and Director	President and Chief Executive Officer of Middlefield Capital Corporation
JEREMY BRASSEUR Toronto, Ontario	Executive Chairman and Director	Executive Chairman of Middlefield Group
CRAIG ROGERS Toronto, Ontario	Chief Operating Officer, Chief Compliance Officer and Director	Chief Operating Officer, Chief Compliance Officer and Director of Middlefield Limited

Portfolio Advisor

Middlefield Capital Corporation, an affiliate of the Manager, acts as Advisor for the Fund pursuant to an advisory agreement (the “Advisory Agreement”) dated November 19, 2020. The Advisor receives fees for its services which are payable by the Manager (not the Fund) and is also reimbursed for all reasonable costs and expenses incurred on behalf of the Fund. The principal office of the Advisor is located in Toronto, Ontario.

The Advisory Agreement will continue in effect until the Fund is terminated. The Manager may terminate the Advisory Agreement if the Advisor has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and, if capable of being cured, such breach has not been cured within 30 days after notice thereof has been given to the Advisor by the Manager. In addition, the Advisory Agreement may be terminated by the Manager pursuant to an Extraordinary Resolution of the Traded Shareholders. The Advisor may terminate the Advisory Agreement if the Fund is in material breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 30 days of notice of same to the Manager or if there is a material change in the investment objectives or strategy of the Fund. If the Advisory Agreement is terminated, the Manager will promptly appoint one or more successor investment advisors to carry out the activities of the Advisor until a meeting of Shareholders is held to confirm such appointment.

The following individuals are principally responsible for the day-to-day management of the Portfolio and their role is as follows:

<u>Name and Municipality of Residence</u>	<u>Title</u>	<u>Experience in Portfolio Management</u>
DEAN ORRICO Vaughan, Ontario	President and Chief Executive Officer of Middlefield Capital Corporation	26 years

Brokerage Arrangements

Decisions as to the purchase and sale of Portfolio securities and decisions as to the execution of Portfolio transactions are made by the Advisor in accordance with and subject to the Investment Guidelines. The Advisor may allocate brokerage business to various dealers to compensate them for the provision to the Fund of order execution or investment decision-making services. As MCC also is registered as a dealer with the Ontario, Alberta and Nova Scotia Securities Commissions, MCC may effect Portfolio transactions itself, provided that the execution, prices and terms it offers are, in its opinion, no less favourable than those offered by other brokers or dealers. Brokerage commissions paid by the Fund to MCC in connection with securities transactions during 2023 amounted to \$40,371. In the purchase and sale of securities for the Fund, the Advisor seeks to obtain overall services and prompt execution of orders on favourable terms.

Independent Review Committee

The Independent Review Committee (the “IRC”) provides oversight of the Manager and carries out those activities described under the heading “**Fund Governance – Independent Review Committee**”.

Custodian

RBC Investor Services Trust (“RBC”) of Calgary, Canada serves as custodian of the cash and securities comprising the Portfolio of the Fund pursuant to a master custodian agreement dated as of September 25, 2009, as amended on November 19, 2020, to include the Fund (the “Custodian

Agreement”). The Fund pays RBC customary custodianship fees for its services. The Custodian Agreement may be terminated by either party on 60 days’ prior written notice.

RBC may appoint one or more sub-custodians (who may be affiliated with or otherwise related to RBC) in respect of the property of the Fund and enter into sub-custodian agreements on terms consistent with the Custodian Agreement, provided, however, that the prior written consent to such appointment has been provided by the Fund.

Portfolio securities are held at RBC’s offices in Toronto, with the exception of foreign assets. Foreign assets may be held by local sub-custodians appointed by RBC or under its authority in various foreign jurisdictions, where the Fund may have assets invested. RBC or the sub-custodians may use the facilities of any domestic or foreign depository or clearing agency authorized to operate a book-based system.

Where the Fund effects a short sale, the Fund may deposit assets as security with its custodian or dealer that loaned the Fund the securities forming part of the short sale.

Valuation Agent

RBC Investor Services Trust and MFL Management Limited have been appointed by the Manager as the joint valuation agent of the Fund. The valuation agent will provide, among other things, valuation services to the Fund and will calculate the NAV in the manner described under the heading “Calculation of Net Asset Value”. The valuation services agreement may be terminated by either party on 60 days’ notice, and immediately by either party on written notice if either party is declared bankrupt or becomes insolvent, the assets or the business of either party becomes liable to seizure or confiscation by any public or governmental authority, or the Manager’s powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

Auditor

The auditor of the Fund is Deloitte LLP of Toronto, Canada.

Registrar and Transfer Agent

TSX Trust Company acts as registrar and transfer agent (in such capacity, the “Registrar and Transfer Agent”) for the Preferred Shares and the Class A Shares of the Fund and maintains registers of such Shareholders in Toronto, Canada.

Designated Website

An investment fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the Fund this document pertains to can be found at the following location: www.middlefield.com.

CONFLICTS OF INTEREST

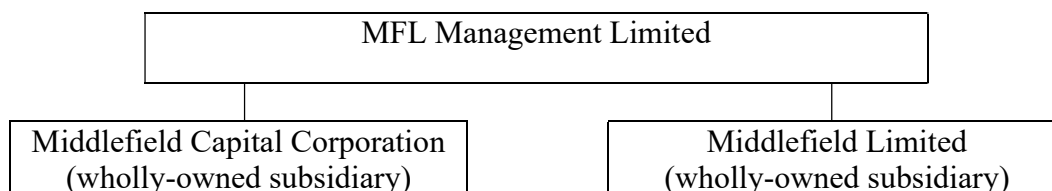
Principal Holders of Securities

As at March 10, 2024 no person or company owns of record or, to the knowledge of the Fund or the Manager, beneficially, directly or indirectly, more than 10% of the outstanding Preferred Shares of Class A Shares of the Fund. All of the outstanding shares of the Manager are beneficially owned by MFL. The directors and senior officers of the Manager beneficially own, directly or indirectly, all securities of the Manager, Middlefield Capital Corporation and MFL Management Limited but do not own beneficially, directly or indirectly, in aggregate, more than 0.5% of any class of voting securities of any other person or company that provides services to the Fund other than the Manager, Middlefield Capital Corporation and MFL Management Limited.

As at March 10, 2024 the members of the IRC did not own beneficially, directly or indirectly, in aggregate: any securities of the Manager; more than 0.5% of any class of voting securities of any person or company that provides services to the Fund; or more than 10% of the Preferred Shares or Class A Shares of the Fund.

Affiliated Entities

The following companies that provide services to the Fund or to the Manager in relation to the Fund are affiliated with the Manager:



Any fees received from the Fund by each company listed above are contained in the audited financial statements of the Fund. The following directors and officers of the Manager and/or the Fund are also directors and/or officers of MFL and/or MCC: Dean Orrico and Jeremy Brasseur (for details on the positions held by these individuals, please refer to the chart under the heading “**Responsibility for Fund Operations – Manager**”).

Dealer Manager Disclosure

The Fund is dealer-managed, as defined under NI 81-102, and as such is subject to prohibitions on certain investments applicable to dealer-managed funds as set out in section 4.1 of NI 81-102. Accordingly, the Fund will not knowingly make an investment in any class of securities of any issuer, other than those issued or guaranteed by the Government of Canada or by an agency thereof or by the Government of a Province of Canada or by an agency thereof:

- (a) for which any person or company who is a dealer manager of the Fund (as defined in NI 81-102) or who is an associate or affiliate of such dealer manager has acted as an underwriter in the distribution of such class of securities of the issuer (except as a member of the selling group distributing 5% or less of the securities

underwritten) for a period of at least 60 days following the conclusion of the distribution of the underwritten securities to the public; or

- (b) of which any partner, director, officer or employee of a person or company who is a dealer manager of the Fund or any partner, director, officer or employee of any affiliate or associate of such dealer manager is an officer or director, provided that this prohibition shall not apply where any such partner, director, officer or employee does not:
 - (i) participate in the formulation of investment decisions made on behalf of the Fund;
 - (ii) have access prior to implementation to information concerning investment decisions made on behalf of the Fund; and
 - (iii) influence (other than through research, statistical and other reports generally available to clients) the investment decisions made on behalf of the Fund.

FUND GOVERNANCE

Governance is the responsibility of the Manager of the Fund. MCC has a Code of Business Conduct set forth in its compliance manual which is updated, as required, on a continuing basis and which is applied to the Fund as described in the remainder of this section. Policies and procedures set out in the compliance manual cover corporate ethics as well as sales and trading practices. The investment activities and sales practices are monitored by senior management for adherence to applicable securities laws.

Independent Review Committee

NI 81-107, requires all publicly offered investment funds to establish an independent review committee. The Manager must refer all conflict of interest matters in respect of the Fund for review or approval to the IRC. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three independent members, and also is subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to the Fund and to its Shareholders in respect of those functions.

The report to Shareholders prepared by the IRC is available at www.middlefield.com, or at a Shareholder's request at no cost, by contacting the Fund at The Well, 8 Spadina Avenue, Suite 3100, Toronto, Ontario M5V 0S8; telephone: 416-362-0714; toll free: 1-888-890-1868; or through www.middlefield.com.

The members of the IRC for the Fund during 2023 were Edward V. Jackson (Chair), George S. Dembroski, H. Roger Garland and Christine H. Tekker. Bernard I. Ghert acted as Chair of the IRC until March 6, 2023, at which point Edward Jackson was appointed Chair of the IRC.

The IRC engages in the following activities:

- (a) reviews and provides input on the Manager's written policies and procedures that deal with conflict of interest matters;
- (b) reviews conflict of interest matters referred to it by the Manager and makes recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieve a fair and reasonable result for the Fund;
- (c) considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- (d) performs other duties as may be required of the IRC under applicable securities laws.

Derivatives Risk Management

The Fund may purchase or sell derivatives in accordance with its policies as described under the heading “**Investment Restrictions – Use of Derivative Instruments**”. The Fund's investment committee (the “Investment Committee”) has established policies and procedures which stipulate the objectives and goals for derivatives trading and related risk management procedures.

MCC is responsible for ensuring that there are written policies and procedures for conducting derivatives operations on both a long-range and day-to-day basis. The Manager is responsible for evaluating and reviewing the policies on derivatives trading on an annual basis to ensure the risk management process is robust.

The Fund is limited in its use of derivatives by the ability to set aside margin to offset the market exposure created by the derivative investments. The Manager is responsible for the authorization of these trades. MCC is responsible for ensuring that any limits established by the exchanges and clearing organizations are complied with.

The Manager approves all significant risk management policies to ensure that they are consistent with the broader business strategies of the Fund. These policies are reviewed and amended as business and market circumstances change. The Manager monitors derivative activity regularly and in sufficient detail to understand the sources of risk.

Stress testing may be employed to ensure that potential losses resulting from derivative trades remain within acceptable limits during periods of increased volatility.

The Fund may utilize derivatives for hedging purposes and, to a limited extent, non-hedging purposes. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Fund from

completing the derivative contract; (iv) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (v) if the Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer. In circumstances where there is an interest rate hedge employed, total returns on the Portfolio may be higher with the hedge than without it when interest rates rise significantly, but total returns may be lower than it otherwise would be in a stable to falling interest rate environment.

In addition, to the extent that derivatives are used by the Fund for non-hedging purposes, there is a risk that the non-hedging purposes for which such derivatives have been utilized by the Fund result in losses, which in turn could have an adverse effect on the performance of the Fund and its ability to meet its objectives.

Short Selling Risk Management

The Fund may engage in short selling in accordance with its policies as described under the heading “**Investment Restrictions – Investment Restrictions**”. The Investment Committee has established policies and procedures which stipulate the objectives and goals for short selling and related risk management procedures.

MCC is responsible for ensuring that there are written policies and procedures relating to short selling. The Manager is responsible for evaluating and reviewing the policies on short selling on an annual basis to ensure the risk management process is robust.

Securities will be sold short only for cash and the Fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales will be effected only through market facilities through which those securities normally are bought and sold and the Fund will short sell a security only if: (i) the security is listed and posted for trading on a stock exchange and either the issuer of the security has a market capitalization of not less than \$100 million of the security sold short at the time the short sale is made or MCC has pre-arranged to borrow securities for the purposes of such short sale; or (ii) the security is a bond, debenture or other evidence of indebtedness of or guaranteed by the Government of Canada or any province or territory of Canada or the Government of the U.S. As well, at the time securities of a particular issuer are sold short by the Fund, the aggregate fair value of all securities of that issuer sold short will not exceed 5% of the net assets of the Fund. The Fund will also place a “stop-loss” order (effectively a standing instruction) with a dealer to immediately repurchase for the Fund the securities sold short if the trading price of the securities exceeds 120% (or a lower percentage determined by us) of the price at which the securities were sold short. The aggregate fair value of all securities sold short by the Fund will not exceed 10% of its net assets on a daily marked-to-market basis. The Fund may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. The Fund also will hold cash cover in an amount, including the Fund’s assets deposited with lenders, that is at least 150% of the aggregate fair value of all securities it sold short on a daily marked-to-market basis. No proceeds from short sales will be used by the Fund to purchase long positions other than cash cover. Where a short sale is effected in Canada, every dealer that holds Fund assets as security in connection with the short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside Canada, every dealer that holds Fund assets as security in connection with the short sale

must be a member of a stock exchange and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements. The aggregate assets deposited by the Fund with any single dealer as security in connection with short sales will not exceed 10% of the Fund's total assets at the time of deposit.

The Manager is responsible for the authorization of short sale trades. MCC is responsible for ensuring that any limits established by the exchanges and clearing organizations are complied with.

The Manager approves all significant risk management policies to ensure that they are consistent with the broader business strategies of the Fund. These policies are reviewed and amended as business and market circumstances change. The Investment Committee monitors short sale activity regularly and in sufficient detail to understand the sources of risk. Stress testing may be employed to ensure that potential losses resulting from short sales remain within acceptable limits during periods of increased volatility.

Securities Lending

The Fund is permitted to engage in securities lending and may engage in securities lending from time to time. The terms of any securities lending agreement entered into by the Fund will comply with the conditions for securities lending transactions set out in section 2.12 of NI 81-102.

Proxy Voting Policies

The Fund has adopted written policies on how its securities are to be voted. Generally, these policies prescribe that voting rights should be exercised with a view to the best interests of the Fund and its Shareholders. The Manager implements these policies on behalf of the Fund.

The proxy voting policies that have been developed by the Fund are general in nature and cannot contemplate all possible proposals with which the Fund may be presented. The Fund will exercise its voting rights in respect of securities of an issuer held by the Fund if more than 4% of the Fund's net assets are invested in that issuer. Generally, the Fund does not intend to exercise its voting rights where 4% or less of its net assets are invested in an issuer, although it may, in its sole discretion, decide to vote in such circumstances. When exercising voting rights, the Fund generally will vote with management of the issuer on matters that are routine in nature, and for non-routine matters will vote in a manner that, in its view, will maximize the value of the Fund's investment in the issuer. In order to carry out the proxy voting policies, when the Fund will be voting it will review research on management performance, corporate governance and any other factors it considers relevant. Where appropriate in the circumstances, including with respect to any situations in which the Fund is in a conflict of interest position, the Fund will seek the advice of the IRC prior to casting its vote.

The Fund's proxy voting policies and procedures are available on request at no cost, by calling 1-888-890-1868 outside Greater Toronto or 416-362-0714 in Greater Toronto or by writing to The Well, 8 Spadina Avenue, Suite 3100, Toronto, Ontario M5V 0S8.

The Fund's proxy voting record for the most recent 12-month period ended June 30 is available at no cost to any Shareholder of the Fund upon request at any time after August 31 of that year. The proxy voting records for the Fund are also available at www.middlefield.com.

Short-Term Trades

The Fund does not have policies and procedures in place in respect of short-term trading of the Preferred Shares of Class A Shares.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who are individuals (other than trusts) who, for purposes of the Tax Act, are resident or deemed resident in Canada, deal at arm's length with the Fund, are not affiliated with the Fund, and hold Traded Shares as capital property.

This summary is based on the provisions of the Tax Act and the regulations thereunder in force on the date hereof, currently publicly available published administrative and assessing practices of the Canada Revenue Agency and all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations.

This summary is not exhaustive of all possible federal income tax considerations and does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, governmental or judicial action. This summary does not deal with foreign, provincial or territorial income tax considerations, which may differ from the federal considerations.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Investors are advised to consult their own tax advisors with respect to their individual circumstances.

Status of the Fund

The Fund qualifies, and intends at all relevant times to qualify, as a "mutual fund corporation" as defined in the Tax Act.

Taxation of the Fund

As a mutual fund corporation, the Fund is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Fund has recognized a capital gain in a taxation year, it may elect not to pay Capital Gain Dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient Capital Gain Dividends and/or capital gains redemptions. Also, as a mutual fund corporation, the Fund is entitled to maintain a Capital Gain Dividend account in respect of its realized net capital gains and from

which it may elect to pay dividends (“Capital Gains Dividends”) which are treated as capital gains in the hands of the Shareholders.

The Fund is required to include in computing its income for a taxation year the full amount of all dividends received in the year. In computing its taxable income, the Fund generally is entitled to deduct the amount of all taxable dividends received by it from taxable Canadian corporations. The Fund will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations, including non-resident corporations.

As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Fund is generally subject to a refundable tax under Part IV of the Tax Act on taxable dividends received during the year from taxable Canadian corporations to the extent such dividends are deductible in computing the taxable income of the Fund for a taxation year. This tax is fully refundable upon payment of sufficient dividends other than Capital Gains Dividends (“Ordinary Dividends”) by the Fund.

The Fund is also classified as a “financial intermediary corporation” (as defined in the Tax Act) and, as such, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Fund nor is it generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Fund on “taxable preferred shares” (as defined in the Tax Act).

To the extent that the Fund earns net income, after expenses, from sources other than taxable dividends from taxable Canadian corporations and taxable capital gains such as interest, dividends from corporations other than taxable Canadian corporations, and other income, the Fund is subject to income tax on such income and no refund is available in respect thereof.

Premiums received on covered call options written by the Fund that are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business of buying and selling securities or the Fund has engaged in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund purchases securities with the objective of earning dividends thereon over the life of the Fund and writes covered call options and purchases cash covered put options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio securities. Thus, having regard to the foregoing and in accordance with the CRA’s published administrative policies, transactions undertaken by the Fund in respect of the securities comprising the Portfolio and options on such securities will be treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call (or cash covered put) options that are subsequently exercised will be included in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Fund of the securities disposed of (or acquired) by the Fund upon the exercise of such call (or put) options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Fund in the previous year, such capital gain may be reversed.

The Portfolio will include securities that are not denominated in Canadian dollars. Cost, proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars generally based on the exchange

rate quoted by the Bank of Canada on the date each such amount arises or such other rate of exchange that is acceptable to the CRA. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

Generally, in computing the amount of its Canadian income taxes, the Fund will be entitled to claim credits in respect of foreign taxes paid by the Fund and foreign taxes withheld at source to the extent permitted by the detailed rules in the Tax Act. To the extent that a tax credit is not claimed, the Fund will be able to deduct any foreign withholding taxes paid.

Any non-capital losses incurred by the Fund may generally be carried forward or back in accordance with the rules or limitations contained in the Tax Act and deducted in computing the taxable income of the Fund.

A capital loss realized by the Fund on a disposition of a security will be a suspended loss for purposes of the Tax Act if the Fund, or a person “affiliated” with the Fund (within the meaning of the Tax Act) acquires an identical security (a “substituted property”) within 30 days before and 30 days after the disposition and the Fund, or a person affiliated with the Fund, owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund’s capital gains until the substituted property is sold and is not reacquired by the Fund, or a person affiliated with the Fund, within 30 days before and after the sale.

The Fund intends to pay a special year-end dividend to holders of its Class A Shares if the Fund has net taxable capital gains upon which it would otherwise be subject to tax or if the Fund needs to pay a dividend in order to recover refundable tax. To the extent that the Fund earns net income, after expenses, from sources other than taxable dividends from Canadian taxable corporations and capital gains (such as interest income or foreign source income), the Fund will be subject to income tax on such income and no refund of such tax will be available. Given the dividend policy of the Fund and taking into account the deduction of expenses, the Fund does not expect to be subject to any significant amount of non-refundable net income tax under the Tax Act.

The Fund has elected in accordance with the Tax Act to have each of its “Canadian securities” treated as capital property. Such an election ensures that gains or losses realized by the Fund on its Canadian securities are treated as capital gains or capital losses.

Tax Treatment of Shareholders

Traded Shares not Held in Registered Plans

Shareholders must include in income Ordinary Dividends received from the Fund. Ordinary Dividends are subject to the gross-up and dividend tax credit rules with respect to taxable dividends paid by taxable Canadian corporations under the Tax Act. An enhanced gross-up and dividend tax credit is available on “eligible dividends” received or deemed to be received from the Fund which are so designated by the Fund.

The amount of any Capital Gain Dividend received by a Shareholder from the Fund are considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the Capital Gain Dividend is received.

The amount of any payment received by a Shareholder from the Fund as a return of capital on a Traded Share is not required to be included in computing income. Instead, such amount reduces the adjusted cost base of the relevant Traded Share to the Shareholder. To the extent that the adjusted cost base to the Shareholder would otherwise be a negative amount, the Shareholder is considered to have realized a capital gain at that time equal to such negative amount and the Shareholder's adjusted cost base of the Traded Share is increased by the amount of such deemed capital gain.

Upon the redemption, retraction or other disposition of Traded Shares by a Shareholder, a capital gain (or a capital loss) will be realized by the Shareholder to the extent that the proceeds of disposition of the Traded Share exceed (or are less than) the aggregate of the adjusted cost base of the Traded Share and any reasonable costs of disposition. Generally, one-half of a capital gain (a taxable capital gain) is included in computing income and one-half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Tax Act.

Shareholders who realize net capital gains, or receive dividends on the Traded Shares, may be subject to an alternative minimum tax under the Tax Act. Proposed legislation that is effective on January 1, 2024 modifies the existing rules for computing the alternative minimum tax. Such modifications include an increase in the tax rate to 20.5% (from 15%), an increase in the basic exemption amount available to individuals and qualified disability trusts to \$173,000 (from the \$40,000 previously available to individuals). Prospective investors are advised to consult their own tax advisors to determine the impact of the alternative minimum tax.

Having regard to the distribution policy of the Fund, a Shareholder acquiring Traded Shares, including on the reinvestment of distributions, may receive dividends that represent income or capital gains accrued or realized by the Fund before such Shareholder acquired such Traded Shares.

Any additional Traded Shares acquired by a Shareholder on a reinvestment of distributions from the Fund will have an initial cost to the Shareholder equal to the amount of the distributions so reinvested. The cost of such Traded Shares will be averaged with the adjusted cost base of all other Traded Shares then held by the Shareholder as capital property to determine the adjusted cost base of each Traded Share held by the Shareholder.

Traded Shares Held in Registered Plans

Income and capital gains included in a Registered Plan's income are generally not taxable under Part I of the Tax Act, provided that the Traded Shares are qualified investments under the Tax Act for the Registered Plan at the time.

As noted above under the heading "Investment Restrictions", provided that the Fund is a "public corporation" or the Traded Shares are listed on a "designated stock exchange" as defined in the Tax Act (which includes the TSX), the Traded Shares will be qualified investments under the Tax Act for Registered Plans.

Shareholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding that Traded Shares may be qualified investments for a trust governed by a FHSA, a TFSA, a RDSP, a RESP, a RRSP, or a RRIF, the holder of a FHSA, TFSA or RDSP, the subscriber of an RESP, or the annuitant of a RRSP or RRIF, as the case may be, will be subject to a penalty tax if such Traded Shares are a “prohibited investment” for the particular FHSA, TFSA, RDSP, RESP, RRSP or RRIF. Traded Shares will generally be a “prohibited investment” if the holder of the FHSA, TFSA or RDSP, the subscriber of an RESP, or the annuitant of the RRSP or RRIF, as the case may be, (i) does not deal at arm’s length with the Fund for purposes of the Tax Act, or (ii) has a “significant interest” (within the meaning of the Tax Act) in the Fund. In addition, the Traded Shares generally will not be a “prohibited investment” if such Traded Shares are “excluded property” (as defined in the Tax Act). Holders of a FHSA, TFSA, RDSP, subscribers of a RESP, and annuitants of a RRSP or RRIF should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

International Information Reporting

The dealers through which Shareholders hold their Traded Shares are subject to registration, information collection and reporting obligations contained in Part XVIII of the Tax Act, which implemented the Canada-United States Enhanced Tax Information Exchange Agreement (the “IGA”) with respect to “financial accounts” such dealers maintain for their clients. Shareholders, or the controlling person of a Shareholder, will generally be requested to provide their dealer with information related to their citizenship, residency and, if applicable, a U.S. federal tax identification number. If a Shareholder is a U.S. person (including a U.S. citizen or green card holder who is resident in Canada) or if a Shareholder does not provide the requested information and indicia of U.S. status is identified, Part XVIII of the Tax Act and the IGA will generally require information about the Shareholder’s investment in the Fund to be reported to the CRA, unless the investment is held within a Registered Plan (other than, subject to the current administrative position of the CRA and certain tax proposals, a FHSA). The CRA is expected to provide that information to the U.S. Internal Revenue Service.

In addition, reporting obligations in the Tax Act have been enacted to implement the Organisation for Economic Co-operation and Development Common Reporting Standard (the “CRS Rules”). Pursuant to the CRS Rules, Canadian financial institutions are required to have procedures in place to identify accounts held by residents of foreign countries (other than the United States), or by certain entities any of whose “controlling persons” are resident in a foreign country (other than the United States). The CRS Rules provide that Canadian financial institutions must report the required information to the CRA annually. Such information would be available to be exchanged on a reciprocal, bilateral basis with the jurisdictions in which the Shareholders, or such controlling persons, are resident. Under the CRS Rules, Shareholders will be required to provide such information regarding their investment in the Fund to the Shareholder’s dealer for the purpose of such an information exchange, unless the Traded Shares are held by a Registered Plan (other than, subject to the current administrative position of the CRA and certain tax proposals, a FHSA).

Based on the current administrative position of the CRA and certain tax proposals, FHSAs are currently not required to be reported to the CRA under Part XVIII of the Tax Act and the CRS Rules.

REMUNERATION OF DIRECTORS AND OFFICERS

During 2023, Bernard I. Ghert, the Chair of the IRC until his resignation on March 6, 2023, received nil and H. Roger Garland, George S. Dembroski, and Christine H. Tekker, who was appointed to the IRC upon Mr. Ghert's resignation, received \$25,000. Edward V. Jackson, who was appointed Chair of the IRC upon Mr. Ghert's resignation, received \$35,000. In addition, each IRC member received \$1,500 per meeting attended. These fees were allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable. A total of \$25,000 was paid by the Fund in respect of fees to the members of the IRC during 2023 and a total of \$15,000 was paid in respect of IRC expenses. No other fees or reimbursement of expenses were paid by the Fund to the directors or officers of the Fund, the Manager or to the IRC members.

MATERIAL CONTRACTS

The material contracts of the Fund are as follows:

- (a) Articles of Incorporation of the Fund. For further details, see the description under the headings "**Name and Formation of the Fund**" and "**History of the Fund**";
- (b) Management Agreement with the Manager. For further details, see the description under the heading "**Responsibility for Fund Operations – Manager**";
- (c) Advisory Agreement with Middlefield Capital Corporation. For further details, see the description under the heading "**Responsibility for Fund Operations – Portfolio Advisor**"; and
- (d) Custodian Agreement between Middlefield Limited and RBC Investor Services Trust. For further details, see the description under the heading "**Responsibility for Fund Operations – Custodian**".

Copies of the material contracts referred to above may be inspected by prospective or existing Shareholders, upon the giving of reasonable notice, during business hours at the principal office of the Fund in Toronto, Ontario.

OTHER MATERIAL INFORMATION

Risk Factors

Certain risk factors relating to the Fund, the Class A Shares and the Preferred Shares are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Preferred Shares and Class A Shares could be materially adversely affected.

An investment in the Fund is appropriate only for investors who have the capacity to absorb a partial or full loss on their investment and who can withstand the effect of potentially having no distribution being paid in any period. In addition to the conditions set out herein, the following are certain risk factors and considerations related to the Fund:

Risks Related to Objectives and Strategy

No Assurances on Achieving Objectives

There is no assurance that the Fund will be able to achieve its objectives or will return to investors an amount equal to or in excess of the original issue price of the Class A Shares or the Preferred Shares. There is no assurance that the Fund will be able to pay quarterly distributions on the Preferred Shares or monthly distributions on the Class A Shares. The funds available for distributions to Shareholders will vary according to, among other things, the dividends and distributions paid on all of the securities in the Portfolio, the level of option premiums received and the value of the securities comprising the Portfolio. As the dividends and distributions received by the Fund may not be sufficient to meet the Fund's objectives in respect of the payment of distributions, the Fund may depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such pricing model can be attained.

Leverage

Holders of the Class A Shares will be subject to a form of leverage such that any capital appreciation in the Fund's assets with the net proceeds from the issue of both the Preferred Shares and the Class A Shares offered hereby after repaying the Preferred Shares and all accrued and unpaid interest thereon, any senior indebtedness and any other expenses and liabilities of the Fund will be for the benefit of the holders of the Class A Shares. In the event of a decrease in the value of the Fund's underlying investments, this leverage will work to the disadvantage of holders of the Class A Shares, with the result that any net capital loss incurred by the Fund on its investments will effectively first be for the account of the holders of the Class A Shares. Accordingly, any decrease in the value of the Fund's assets will result in a greater proportionate decrease in the value of the Class A Shares. If, at the Termination Date (as defined herein), the total assets of the Fund are less than or equal to the amount of the aggregate of all liabilities of the Fund (including senior indebtedness and the aggregate original subscription price of the Preferred Shares and all accrued and unpaid interest thereon), the Class A Shares will have no value. There is no assurance that there will be any capital appreciation on the Class A Shares.

Use of Options and Other Derivative Instruments

The Fund is subject to the full risk of its investment position in the securities comprising the Portfolio, including those securities that are subject to outstanding call options, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of the options.

There is no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to write covered call options or purchase cash covered put options on desired terms or to close out option positions should the Manager desire to do so. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Fund is unable to repurchase a call option which is in-

the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

In writing call options or purchasing put options, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations.

Sensitivity to Volatility Levels

The Fund may sell call options in respect of some or all of the securities held in the Portfolio. Such call options may be either exchange traded options or over-the-counter options. By selling call options, the Fund will receive option premiums. The amount of option premium depends upon, among other factors, the implied volatility of the price of the underlying security as, generally, the higher the implied volatility, the higher the option premium. The level of implied volatility is subject to market forces and is beyond the control of the Manager or the Fund.

COVID-19

The COVID-19 outbreak was characterized as a pandemic by the World Health Organization on March 11, 2020. COVID-19 has caused governments across the globe to impose restrictions, such as quarantines, closures, cancellations and travel restrictions on its citizens. Normal commercial activities across many industries and individual companies have been negatively affected by such actions, leading to volatility in the global financial markets and disruptions in the global economy. While the Fund will seek to invest in Real Estate Issuers which the Advisor believes are particularly well positioned to benefit from the current needs of business and consumers, including changes to behaviour resulting from the COVID-19 pandemic, COVID-19 as well as other epidemics and pandemics that may arise in the future could negatively affect the worldwide economy, including Real Estate Issuers, which could adversely affect the value of the securities in the Portfolio and in turn, the Net Asset Value per Unit.

Risks Related to Portfolio Securities

Fluctuations in Net Asset Value

The NAV per Class A Share and the funds available for distribution will vary according, among other things, to the value of the Portfolio securities acquired by the Fund and any dividends, distributions and net realized capital gains paid thereon. Fluctuations in the market values of the securities comprising the Portfolio and fluctuations in the NAV per Class A Share may occur for a number of reasons beyond the control of the Manager, the Advisor and the Fund including factors that affect capital markets generally such as general economic and political conditions and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies, performance of competitors, access to key personnel, demand for specific products and services and other events that may affect the value of an issuer's securities. Some global economies have recently experienced a recession or diminished growth. No assurance can be given that such conditions will not continue or re-emerge, which may adversely affect the issuers in which the Fund from time to time may invest and the value of their securities included in the Portfolio.

Trading Price of Class A Shares

Class A Shares may trade in the market at a premium or discount to the NAV per Class A Share and there can be no assurance that Class A Shares will trade at a price equal to such amount. This risk is separate and distinct from the risk that the NAV per Class A Share may decrease, or possibly be zero.

In recognition of the possibility that the Class A Shares may trade at a discount, the terms and conditions attaching to the Class A Shares have been designed to attempt to reduce or eliminate a market value discount from the NAV per Class A Share by way of optional purchases of Class A Shares by the Fund. There can be no assurance that purchases of Class A Shares by the Fund will result in the Class A Shares trading at a price which is equal to the NAV per Class A Share. The Fund anticipates that the market price of the Class A Shares will in any event vary from the NAV per Class A Share. The market price of the Class A Shares will be determined by, among other things, the relative demand for and supply of Class A Shares in the market, the performance of the Fund's assets, the yield of the Class A Shares and investor perception of the Fund's overall attractiveness as an investment as compared with other investment alternatives.

Sensitivity to Interest Rates

As the Fund is obligated to pay distributions on the Preferred Shares at a fixed rate of 5.25% per annum, the market price of the Preferred Shares and the Class A Shares may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the market price of the Preferred Shares and/or Class A Shares. Shareholders who wish to retract or sell their Preferred Shares or the Class A Shares will, therefore, be exposed to the risk that the NAV or the market price of the Preferred Shares and Class A Shares will be negatively affected by interest rate fluctuations. Increases in interest rates will also increase the Fund's costs of borrowing.

Risks Related to Investing in Real Estate Issuers

Investments in issuers operating in the real estate sector will be subject to the general risks associated with real property investments, including that the value of real property can fluctuate. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available properties, fluctuations in occupancy rates, operating expenses and various other factors. The value of real property and any improvements thereto, in particular income-producing real property, also may depend on the creditworthiness and financial stability of the borrowers and/or tenants. The income of an issuer operating in the real estate sector that is available for payment to its unitholders or shareholders, as the case may be, would be adversely affected if a significant number of tenants were to become unable to meet their obligations, or if the issuer was unable to lease a significant amount of available space in its properties on economically favourable lease terms. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby impacting the ability of the borrower to service the debt and/or repay the loan based on the property income.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit a Real Estate Issuer's ability to vary its portfolio promptly in response to changing economic or investment conditions. If, for whatever reason, a Real Estate Issuer needs to liquidate its assets, there is a risk that sale proceeds realized might be less than the current book value of the Real Estate Issuer's assets or that market conditions would prevent prompt disposition of those assets.

Risks Related to Investing in E-Commerce Issuers

E-commerce remains a new and rapidly evolving industry subject to risks relating to the development of the industry generally, the technology underlying the industry and the need for companies to secure strategically located real property for warehousing purposes. Accordingly, the business and future prospects of such issuers may be difficult to evaluate. The Advisor cannot accurately predict the extent to which demand for products and services developed by such companies will develop and/or increase, if at all. The success of such issuers also will depend on traditional business factors such as the ability to develop or market new products and the ability to properly execute corporate strategies.

With respect to the industry generally, the Advisor believes that the e-commerce industry will continue to experience rapid growth and accordingly investments in the industry may be more volatile than investments in more mature industries. In particular, such rapid growth is expected to provide opportunities for new industry participants to replace incumbents more quickly than in other industries, which may make selecting successful e-commerce issuers for the Portfolio more challenging.

With respect to technology, many issuers operating in the e-commerce industry are reliant on new and relatively untested technologies and accordingly the risks associated with such technologies may not emerge until they are more developed. E-commerce companies whose securities are included in the Portfolio are subject to the risk that their proprietary software and other products and services are not competitive with those of other industry participants or do not reach market as quickly as those of other participants, which could result in customers engaging with such other participants.

With respect to real estate, e-commerce issuers are subject to the risk that real estate investments in strategically convenient areas may not be available, or that market prices could increase, which could result in higher operating costs and reduced profits.

Risks Related to Investments in Geographic Regions Outside of Canada

The Portfolio may include the securities of issuers that are domiciled in or derive a significant portion of their revenue from geographic regions globally. Accordingly, the performance of the Portfolio is expected to be closely tied to social, political and economic conditions within the geographic regions in which the Fund has invested.

Risks of Portfolio Concentration

The assets of the Fund will consist of securities of Real Estate Issuers. Accordingly, the Fund's Portfolio will have relatively narrow diversification in that its investments will be limited only to certain industries. The securities of Real Estate Issuers are likely to be adversely impacted by any downturns in the global or any local economy that impact the real estate industry in particular. Accordingly, this Portfolio concentration may have a negative impact on the value of the Units and the general risk of the Portfolio may be increased as a result of such sector concentration.

General Risks of Equity Investments

The value of equity securities in which the Fund may from time to time invest may fluctuate in accordance with changes in the financial condition of those equity security issuers, the condition of equity markets generally and other factors. The issuers and weighting of equity securities comprising the Portfolio also may change from time to time. Dividends and distributions on those equity securities generally will depend upon the declaration of dividends and distributions from the issuers but there can be no assurance that those issuers will pay distributions or dividends on their securities. The declaration of such dividends and distributions generally depends upon various factors, including the financial condition of the issuer and general economic conditions.

The Fund also will be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general equity market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. These investor perceptions are based on various and unpredictable factors including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic and banking crises.

Certain of the issuers in which the Fund may from time to time invest may have limited operating histories. The value of the Portfolio will be influenced by factors that are not within the control of the Fund, which may include the financial performance of the respective issuers, interest rates, exchange rates and the hedging policies employed by such issuers. The performance of issuers in which the Fund may invest also may be affected by the performance of their competitors and demand for specific products and services, and may be adversely affected by a change in any of such conditions.

General Risk of Investing in Debt Instruments

Generally, debt instruments will decrease in value when interest rates rise and increase in value when interest rates decline. The NAV of the Fund will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of debt instruments is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Debt instruments may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the debt instruments that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or

insolvency of the issuer. Global financial markets have experienced significant volatility in recent years that has generally contributed to a reduction in liquidity and the availability of credit, enhancing the likelihood of default by some issuers due to diminishing profitability or an inability to refinance existing debt.

Risks Related to the Structure of the Fund

The Fund intends to use distributions received on the securities in the Portfolio in the following priority: (i) to pay interest, if any, on the Loan Facility; (ii) to pay the expenses of the Fund; (iii) to fund fixed cumulative preferential quarterly cash distributions on the Preferred Shares; and (iv) to fund non-cumulative monthly cash distributions on the Class A Shares. There can be no assurance that the distributions made on the Fund's assets and the other securities in the Portfolio will exceed or equal the amount of distributions to be paid on the Preferred Shares and the Class A Shares and the expenses of the Fund.

In addition to quarterly distributions on the Preferred Shares, the redemption price of the Preferred Shares must be repaid on the Maturity Date. The amount to be repaid only depends on the aggregate original subscription price of the Preferred Shares then outstanding, together with any accrued and unpaid distributions thereon. A reduction in the total assets of the Fund does not change the amount that must be paid on account of the Preferred Shares. Due to this required repayment of the Preferred Shares, decreases in the total assets of the Fund will cause the value of a Class A Share to decrease to a proportionately greater extent, as compared to the situation where the Fund did not issue Preferred Shares. There can be no assurance that the total assets of the Fund will not decrease.

There is a risk that the Preferred Shares may be repaid by the Fund prior to the Maturity Date and in such event, the total return to a Shareholder would be less than the total return if Preferred Shares were held until the Maturity Date.

Status of Preferred Shares

The Preferred Shares will be subordinate to all indebtedness, including any indebtedness under the Loan Facility and to trade creditors of the Fund.

Change or Withdrawal of Rating on the Preferred Shares

There can be no assurance that the rating on the Preferred Shares of Pfd-3 (high) by DBRS Limited will remain in effect or not be revised. If such rating is withdrawn or revised, there may be an adverse effect on the market price of the Preferred Shares.

No Ownership Interest

An investment in Preferred Shares or Class A Shares does not constitute an investment by Shareholders in the securities comprising the Portfolio. Holders of Preferred Shares and Class A Shares will not own the securities held by the Fund and accordingly will have no voting rights in respect thereof. From time to time, the Board of Directors will determine whether and how to vote the securities in accordance with the policies described under "Proxy Voting Disclosure for Portfolio Securities Held".

Foreign Currency Exposure

The Portfolio may include securities denominated and paying distributions in foreign currencies, including the U.S. dollar. As the NAV will be calculated in Canadian dollars, to the extent the Fund's exposure to foreign currencies has not been hedged back to the Canadian dollar, the NAV will be affected by changes in the value of those foreign currencies against the Canadian dollar. While the Fund initially intends to hedge its exposure to foreign currencies back to the Canadian dollar, it may not be fully hedged at all times. Distributions received on Portfolio securities will not be hedged and any hedging strategy of the Fund may not be successful. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors.

Use of Leverage by the Fund

The use of leverage may result in capital losses or a decrease in distributions to Shareholders. If the value of the securities decreases such that the amount borrowed under the Loan Facility exceeds 5% of the value of the Fund's assets, the Fund may be required to sell securities in the Portfolio in order to comply with such restriction. Such sales may be required to be done at prices which may adversely affect the value of the Portfolio and the return to the Fund. The interest expense and banking fees incurred in respect of the Loan Facility will decrease the value of the total assets of the Fund, thereby reducing the amounts available to pay distributions on the Preferred Shares and the Class A Shares. In addition, the Fund may not be able to renew the Loan Facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Fund will assist the Fund in achieving its objectives.

Loss of Investment

An investment in the Preferred Shares and/or Class A Shares is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment therein. An investment in Preferred Shares and/or Class A Shares is appropriate only for an investor that can withstand distributions not being made on the Preferred Shares and/or Class A Shares, as applicable, for any period of time, and that can withstand a total loss of his, her or its investment.

Status of the Fund

While the Fund is technically considered to be a mutual fund corporation under the securities legislation of the provinces and territories of Canada, the Fund is not a conventional mutual fund. The Fund differs from conventional mutual funds in a number of respects, most notably as follows (i) while the Preferred Shares and Class A Shares of the Fund may be surrendered at any time for redemption, the redemption price is payable monthly whereas the securities of most conventional mutual funds are redeemable daily, (ii) the Preferred Shares and Class A Shares of the Fund are to have a stock exchange listing whereas the securities of most conventional mutual funds do not, and (iii) unlike most conventional mutual funds, the Preferred Shares and Class A Shares will not be offered on a continuous basis.

The Fund is not a trust company and is not registered under legislation of any jurisdiction governing trust companies as it does not carry on, nor does it intend to carry on, the business of a trust company. The Preferred Shares and Class A Shares are not "deposits" within the meaning of

the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Recourse under the Preferred Shares is limited to the assets of the Fund.

Securities Lending

The Fund may engage in securities lending if permitted by applicable law. Although the Fund will receive collateral for the loans, and such collateral is marked to market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and should the collateral be insufficient to reconstitute the securities. In addition, the Fund will bear the risk of loss of any investment of cash collateral.

No Guaranteed Returns

There is no guarantee that an investment in the Fund will earn any positive returns in the short or long term or at all.

Risks Related to Retractions

If a substantial number of Shareholders exercise their retraction rights, the number of Preferred Shares and Class A Shares outstanding and the NAV of the Fund could be significantly reduced. If a substantial number of Preferred Shares and Class A Shares are retracted, this could decrease the liquidity of the Preferred Shares and Class A Shares in the market and increase the management expense ratio of the Fund. In any such circumstance, the Manager may determine it appropriate to: (i) subject to applicable laws, suspend retractions of Preferred Shares and/or Class A Shares (as described under “Redemptions and Retractions — Suspension of Retractions”); or (ii) recommend that the Board of Directors terminate the Fund without the approval of the Shareholders if, in the opinion of the Manager, it is no longer economically feasible to continue the Fund or the Manager determines that it would be in the best interests of Shareholders to terminate the Fund.

Retraction Costs (as defined under “Redemptions and Retractions”) will be paid by the retracting Shareholder. The amount of any such Retraction Costs will depend on the circumstances at the time of the retraction, including the NAV of the Fund, the number of Preferred Shares and/or Class A Shares surrendered for retraction, the available cash of the Fund, the interest rate under the Loan Facility, the current market price of the securities of each issuer included in the Portfolio at the time of the retraction, and the brokerage fees, commissions and other transaction costs as described under “Redemptions and Retractions”. As a result of the foregoing variables, the amount of Retraction Costs payable by a Shareholder upon the retraction of Preferred Shares or Class A Shares may vary from time to time.

Non-concurrent Retraction

Holders of Preferred Shares and Class A Shares will be offered a non-concurrent retraction right on the Maturity Date and upon any subsequent extension of the maturity date as determined by the Board of Directors. To the extent that there are unmatched numbers of Preferred Shares and Class A Shares tendered for retraction, the Preferred Shares or Class A Shares, as the case may be, may be called by the Fund for redemption on a *pro rata* basis in order to maintain the same number

of Preferred Shares and Class A Shares outstanding. The number of retractions by holders of Class A Shares and Preferred Shares may be influenced by the performance of the Fund, the management expense ratio, and the trading discount to NAV of the Class A Shares or the Preferred Shares, as applicable, among other things.

Conflicts of Interest

The services to be provided or caused to be provided by the Manager under the Management Agreement and by the Advisor under the Advisory Agreement are not exclusive to the Fund. Neither the Manager nor the Advisor is prevented from offering its services to other funds, some of which may invest primarily in the same securities as the Fund from time to time invests and which may be considered competitors of the Fund.

In addition, the directors and officers of the Fund, the Manager and the Advisor or their respective affiliates may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may invest from time to time or corporations which act as the manager of other funds that invest primarily in the same securities as the Fund and as a result, which may be considered competitors of the Fund. The Manager or its affiliates may be managers or portfolio managers of one or more issuers in which the Fund may acquire securities.

Taxation of the Fund Generally

If the Fund ceases to qualify as a “mutual fund corporation” under the Tax Act, the income tax considerations described herein would be materially and adversely different in certain respects.

In determining its income for tax purposes, the Fund will treat option premiums received on the writing of covered call options and any losses sustained on closing out such options as capital gains and capital losses, as the case may be, in accordance with its understanding of the CRA’s published administrative policy. Gains or losses on the disposition of securities upon exercise of a call option, will be treated as capital gains or losses. The CRA’s practice is not to grant an advance income tax ruling on the characterization of items as capital gains or income and no advance ruling has been requested or obtained.

If some or all of the transactions undertaken by the Fund in respect of options were treated on income rather than capital account, after-tax returns to Shareholders could be reduced, the Fund could be subject to non-refundable income tax from such transactions and the Fund could be subject to penalty taxes in respect of excessive Capital Gain Dividend elections.

The Fund will invest in foreign securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital to impose tax on dividends and other amounts paid or credited to persons who are not resident in such countries. For example, investments in U.S. securities may subject the Fund to U.S. taxes on dividends paid or credited to the Fund. Any foreign taxes incurred by the Fund will generally reduce the value of the Fund and amounts available for distribution to Shareholders.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relevant to the Fund and its investments will not be changed in a manner which adversely affects the distributions received by the Fund or by the Shareholders.

[BACK COVER]

REAL ESTATE SPLIT CORP.

**Middlefield Limited
The Well, 8 Spadina Avenue, Suite 3100
Toronto, Ontario
M5V 0S8
416-362-0714**

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.

- You can get a copy of these documents at no cost by calling toll-free 1-888-890-1868 outside Greater Toronto or 416-362-0714 in Greater Toronto, or from your broker or dealer, or by e-mailing invest@middlefield.com.
- These documents and other information about the Fund, such as information circulars and material contracts, are also available by visiting the website www.middlefield.com or www.sedarplus.ca.