

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Propel Capital Corporation at 161 Bay Street, 27th Floor, Toronto, Ontario, M5J 2S1, or by calling 1-866-995-0050 and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

Warrant Offering

May 5, 2014

SENIOR SECURED FLOATING RATE LOAN FUND



Warrants to Subscribe for up to 8,600,000 Class A Units at a Subscription Price of \$9.84

If a Unitholder does not exercise or sells its Warrants, the value of the Class A Units held by that Unitholder may be diluted as a result of the exercise of the Warrants by others. If a Unitholder does not exercise or sells its Warrants and other holders of Warrants exercise any of their Warrants, that Unitholder's percentage ownership in the Class A Units of the Fund will be diluted. Additionally, the exercise of Warrants may have a dilutive impact on the Fund's distributable income per Class A Unit. See "*Details of the Offering – Dilution to Existing Unitholders*" and "*Risk Factors – Dilution to Existing Unitholders*". There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants issued under this prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See "*Risk Factors – No Public Market for the Warrants*".

Senior Secured Floating Rate Loan Fund will issue, to holders of record of outstanding Class A Units (the "**Class A Units**") at the close of business (Toronto time) on May 15, 2014, up to 17,200,000 Warrants to subscribe for and purchase an aggregate of up to 8,600,000 Class A Units. This short form prospectus qualifies the distribution of Warrants and the Class A Units issuable upon the exercise thereof. See "*Details of the Offering*". No warrants will be issued to holders of outstanding Class U units of the Fund ("**Class U Units**").

- Record Date:** May 15, 2014, subject to obtaining all necessary regulatory and exchange approvals.
- Commencement Date:** Warrants may be exercised on a monthly basis on the first Business Day of each month commencing on June 2, 2014 and on the Expiry Date.
- Expiry Date and Time:** Warrants not exercised by 5:00 p.m. (Toronto time) on October 30, 2014 will be void and have no value. See "*Details of the Offering – Commencement Date, Exercise Period and Expiry Date and Time*".
- Subscription Price:** The Subscription Price for the Class A Units is \$9.84, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of filing the final short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering.
- Basic Subscription Privilege:** Each Unitholder at the close of business (Toronto time) on the Record Date will be entitled to receive one Warrant for each Class A Unit held. Two Warrants entitle the holder thereof to subscribe for one Class A Unit at the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date. See "*Details of the Offering – Basic Subscription Privilege*".
- Additional Subscription** Holders of Warrants who exercise their Warrants under the Basic Subscription

Privilege: Privilege may also subscribe *pro rata* for Additional Units not subscribed for initially, if any, on the basis set forth under “Details of the Offering – Additional Subscription Privilege”.

No Minimum Issue Size: The completion of the Offering is not conditional upon the receipt by the Fund of any minimum amount of subscription proceeds.

The outstanding Class A Units are listed and posted for trading on the TSX under the trading symbol “FRL.UN”. The closing price for the outstanding Class A Units on the TSX on May 2, 2014 was \$9.42 per Class A Unit. The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX on or before July 13, 2014. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants issued under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See “Risk Factors”.**

Propel Capital Corporation is the manager and promoter of the Fund Credit Suisse Asset Management, LLC is the portfolio manager of the Fund. Computershare Trust Company of Canada is the trustee of the Fund.

	<u>Subscription Price⁽¹⁾</u>	<u>Proceeds to the Fund⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾</u>
Per Class A Unit	\$9.84	\$9.69
Total	\$84,624,000	\$83,334,000

Notes:

- (1) The Subscription Price for the Class A Units is \$9.84, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of filing the final short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering.
- (2) Assumes that all Warrants distributed to Unitholders of record on the Record Date are exercised.
- (3) The Fund will pay a fee at the time the Warrant is exercised equal to \$0.15 per Class A Unit to the CDS Participant whose client is exercising the Warrant subject to a maximum of \$2,500 per beneficial subscriber in respect of Warrants exercised pursuant to the Basic Subscription Privilege. See “Fees and Expenses — Warrant Exercise Fee”.
- (4) Before deducting the estimated expenses of the Offering of \$125,000, which will be paid by the Fund.

The Fund is an investment fund established under the laws of the Province of Ontario. The principal place of business and the registered office of the Fund is located at 161 Bay Street, 27th Floor, Toronto, Ontario, M5J 2S1. The investment objectives of the Fund are to provide Unitholders with (i) stable monthly cash distributions; (ii) preservation of capital, and (iii) increased returns in the event that short-term interest rates rise. **There is no assurance that the Fund will be able to achieve its investment objectives. If a Unitholder does not exercise or elects to sell the Unitholder’s Warrants, then the value of the Class A Units held by that Unitholder may be diluted as a result of the exercise of the Warrants by others. See “Risk Factors” for a discussion of certain factors that should be considered by holders of Warrants and investors in Class A Units.**

The Fund utilizes the book-based system administered by CDS with respect to the Class A Units and the Warrants. A holder of Warrants may subscribe for Class A Units by instructing the CDS Participant holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Class A Unit subscribed for to such CDS Participant. See “Details of the Offering – Basic Subscription Privilege”. Holders of Warrants who exercise their Warrants pursuant to the Basic Subscription Privilege may subscribe *pro rata* for Class A Units, if any, not initially subscribed for pursuant to the Additional Subscription Privilege. See “Details of the Offering – Additional Subscription Privilege”.

Computershare Investor Services Inc. will be appointed the Warrant Agent of the Fund to receive subscriptions from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. Holders of Warrants desiring to exercise their Warrants and purchase Class A Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants submitted to the Warrant Agent during the Exercise Period will be exercised in accordance with the practices and procedures of the Warrant Agent and the applicable CDS Participants. **A subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the applicable Exercise Date to allow the CDS Participant to properly exercise the Warrants on such subscriber’s behalf. Class A Units will be issued on a fully-paid basis only. Class A Units not issued prior to the closing of the record books on a distribution record date will not be eligible to receive the applicable distribution. Holders of Warrants are encouraged to contact their broker or**

other CDS Participants as each CDS Participant may have an earlier cut-off time. See “Details of the Offering – Exercise of Warrants and Warrant Agent”.

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, provided that the Warrants and the Class A Units issued on the exercise of Warrants are listed on a designated stock exchange under the Tax Act (which currently includes the TSX), the Warrants, and the Class A Units issued on the exercise of Warrants, would be, if issued on the date hereof, qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. See “Canadian Federal Income Tax Considerations” and “Eligibility for Investment”.

No underwriter has been involved in the preparation of this short form prospectus or has performed any review of the contents of this short form prospectus.

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GLOSSARY OF TERMS

In this short form prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this short form prospectus are to Canadian dollars.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**Additional Subscription Privilege**” means the subscription privilege to subscribe for Additional Units to which all holders of Warrants that have subscribed for Class A Units pursuant to the Basic Subscription Privilege are entitled to.

“**Additional Units**” means the number of Class A Units available for all subscriptions pursuant to the Additional Subscription Privilege.

“**Basic Subscription Privilege**” means the subscription privilege pursuant to which holders of Warrants may exercise the Warrants and subscribe for Class A Units at the Subscription Price during the Exercise Period.

“**Business Day**” means any day on which the TSX is open for business.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participants**” means participants in CDS.

“**Class A Units**” means the transferable Class A Units of the Fund, which, for greater certainty, includes Class A Units issuable on exercise of the Warrants.

“**Class U Units**” means the transferable Class U Units of the Fund.

“**Commencement Date**” means June 2, 2014.

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

“**Declaration of Trust**” means the amended and restated declaration of trust of the Fund dated July 22, 2013 as amended and restated as of August 21, 2013 and as further amended and restated on September 20, 2013, as it may be amended from time to time.

“**Exercise Date**” means (i) the first Business Day of each month during the Exercise Period, or (ii) the Expiry Date.

“**Exercise Period**” means the period beginning at market open (Toronto time) on the Commencement Date and ending at 5:00 p.m. (Toronto time) on the Expiry Date.

“**Expiry Date**” means October 30, 2014.

“**Fund**” means Senior Secured Floating Rate Loan Fund, an investment fund established under the laws of the Province of Ontario and governed by the Declaration of Trust.

“**IRC**” means the independent review committee established by the Manager for the Fund as required by National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

“**Manager**” or “**Propel**” means Propel Capital Corporation, in its capacity as manager of the Fund, or if applicable, its successor.

“**Minister**” means the Minister of Finance (Canada).

“**NAV per Class A Unit**” means the Net Asset Value of the Fund attributable to the Class A Units divided by the number of Class A Units that are outstanding (on either a basic or diluted basis) on the applicable calculation date.

“**Net Asset Value**” means the net asset value of the Fund, determined by subtracting the aggregate amount of the liabilities of the Fund from the total assets, as described in the current annual information form of the Fund.

“**Offering**” means the offering of up to 17,200,000 Warrants and up to 8,600,000 Class A Units issuable upon the exercise thereof, as contemplated in this short form prospectus.

“**Portfolio**” means the assets held by the Fund from time to time.

“**Portfolio Manager**” or “**Credit Suisse**” means the portfolio manager of the Fund, Credit Suisse Asset Management, LLC, and its successors as appointed by the Manager.

“**Proposed Amendments**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof.

“**Record Date**” means May 15, 2014, subject to obtaining all necessary regulatory and exchange approvals.

“**Registered Plans**” means trusts governed by RRSPs, RRIFs, deferred profit sharing plans, registered education savings plans, registered disability savings plans and TFSAs.

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

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

“**Subscription Price**” means \$9.84, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of filing the final short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering.

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

“**Total Assets**” means aggregate value of the assets of the Fund as determined in accordance with the terms of the Declaration of Trust.

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

“**Trustee**” means Computershare Trust Company of Canada, in its capacity as trustee under the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**Units**” means the Class A Units and/or Class U Units, as applicable.

“**United States**” means the United States of America, its territories and possessions.

“**Unitholder**” means a beneficial holder of a Class A Unit.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

“**Warrant**” means one transferable warrant of the Fund to be issued to Unitholders of record on the Record Date on the terms and conditions of the Warrant Indenture.

“**Warrant Agent**” means Computershare Investor Services Inc., in its capacity as warrant agent under the Warrant Indenture.

“**Warrant Indenture**” means the warrant indenture to be entered into on or about May 5, 2014 between the Manager, on behalf of the Fund, and the Warrant Agent.

FORWARD LOOKING STATEMENTS

Certain of the statements contained in this short form prospectus may be forward-looking statements. The use of words such as “may,” “will,” “should,” “could,” “anticipate,” “believe,” “expect,” “intend,” “plan,” “potential,” “continue” and similar expressions have been used to identify these forward-looking statements. These statements are based on the current expectations of the Fund and the Manager, and involve known and unknown

risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained in this short form prospectus are based upon assumptions that the Fund and the Manager believe to be reasonable, no assurance can be given to investors that actual results will be consistent with these forward-looking statements. Potential subscribers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Fund and the Manager assume no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference and form an integral part of this short form prospectus:

- (a) the annual information form of the Fund dated March 28, 2014 for the fiscal year ended December 31, 2013;
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditors, for the fiscal year ended December 31, 2013; and
- (c) the management report of fund performance of the Fund for the fiscal year ended December 31, 2013.

Any of the documents of the type referred to above including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering, will be deemed to be incorporated by reference in this short form prospectus.

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

THE FUND

The Fund is an investment fund with a registered office located at 161 Bay Street, 27th Floor, Toronto, Ontario, M5J 2S1. The Fund was originally established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of July 22, 2013 and is now governed by the Declaration of Trust.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

MANAGEMENT AND PORTFOLIO MANAGEMENT OF THE FUND

The manager and promoter of the Fund is Propel Capital Corporation. Propel currently provides management and administrative services to Propel Multi-Strategy Fund, Canadian Convertibles Plus Fund, Canadian High Yield Focus Fund, Diversified Alpha Fund II, North American Preferred Share Fund, Strategic Income Allocation Fund and North American REIT Income Fund. Its head office is located at Brookfield Place, 161 Bay Street, 27th Floor, Toronto, Ontario, M5J 2S1.

Propel has retained Credit Suisse Asset Management, LLC, a Delaware (U.S.) limited liability company, to provide portfolio management and investment advice to the Fund in a manner consistent with the investment objectives, investment strategies and investment restrictions of the Fund. The Portfolio Manager is an indirect wholly owned subsidiary of Credit Suisse Group AG, a publicly-owned foreign bank holding company based in Switzerland. The head office of the Portfolio Manager is located in New York, New York.

DESCRIPTION OF THE BUSINESS

Investment Objectives

The investment objectives of the Fund are to provide Unitholders with (i) stable monthly cash distributions; (ii) preservation of capital, and (iii) increased returns in the event that short-term interest rates rise.

The Fund was created to invest in an actively managed portfolio consisting primarily of first lien senior secured floating rate corporate loans (“**First Lien Senior Secured Loans**”) of U.S. borrowers rated “B-“ or higher by Standard & Poor’s (“**S&P**”) or “B3” or higher by Moody’s Investor Services, Inc. (the “**Portfolio**”).

Investment Strategies

The Portfolio Manager actively manages the Portfolio in connection with the selection, purchase and sale of First Lien Senior Secured Loans and other assets of the Portfolio.

The Portfolio Manager seeks to invest in a diversified portfolio composed primarily of First Lien Senior Secured Loans that the Portfolio Manager believes exhibit the highest relative value within the asset class. The Portfolio primarily consists of First Lien Senior Secured Loans that the Portfolio Manager expects will generate increased Portfolio cash flow in the event that short-term interest rates rise.

The investment philosophy recognizes First Lien Senior Secured Loans as a risk-mitigating asset class and seeks to reduce credit losses while taking sufficient risk to generate attractive returns relative to its benchmark. Given the asymmetric risk profile of First Lien Senior Secured Loans, security selection and loss avoidance are key facets of the alpha thesis. The Portfolio Manager seeks to add additional value via opportunistic trading within the Portfolio.

The Fund may borrow through a loan facility with a Canadian chartered bank against the assets of the Fund in an amount up to 40% of the Total Assets (as defined below).

The securities in the Portfolio are denominated in U.S. dollars and, therefore, the Fund may be exposed to changes in the value of the U.S. dollar against the Canadian dollar which may be hedged back to the Canadian dollar.

Investment Restrictions

The investment activities of the Fund are conducted in accordance with, among other things, the following investment restrictions (the “**Investment Restrictions**”) which provide that the Fund will not:

- (i) invest less than 80% of the Total Assets in First Lien Senior Secured Loans;
- (ii) invest at the time of purchase less than 80% of the Total Assets in debt securities with a credit rating lower than “B-“ from S&P or “B3” from Moody’s; provided, however, that the rating of a security will be based on the highest rating it receives;
- (iii) invest less than 90% of Total Assets in assets denominated in U.S. dollars;
- (iv) invest more than 25% of Total Assets in the First Lien Senior Secured Loans of borrowers in the same industry sector (determined with reference to the industry sectors identified by S&P);
- (v) invest at the time of purchase more than 15% of Total Assets in issues of First Lien Senior Secured Loans that are less than U.S. \$100 million in size at the time of issuance;
- (vi) invest at the time of purchase more than 10% of Total Assets in debt obligations of any one borrower or issuer;
- (vii) invest in cash-flow collateralized loan obligations;
- (viii) engage in derivative transactions, other than derivative transactions to hedge foreign exchange risk;
- (ix) borrow money, including pursuant to a loan facility or by purchasing securities on margin, if, immediately following the borrowings, the aggregate amount borrowed would exceed 40% of the Total Assets;
- (x) purchase the common or preferred shares of any “substantial securityholder” of the Fund (as defined in the *Securities Act* (Ontario)) or the direct or indirect parent of any substantial securityholder of the Fund;
- (xi) purchase the securities of an issuer for the purpose of exercising control or direction, whether alone or in concert, over management of that issuer, except under circumstances where such issuer is in breach of the terms of, or in default under, the Senior Secured Loan;
- (xii) make short sales or take short positions;
- (xiii) purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, the Portfolio Manager or any of their affiliates, any officer, director or shareholder of the Manager, the Portfolio Manager, any person, trust, firm or corporation managed by the Manager or the Portfolio Manager or any of their affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or the Portfolio Manager 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 purchase or sale of securities, any such transaction is effected through normal market facilities, pursuant to a non-prearranged trade, and the purchase price approximates the prevailing market price or is approved by the Fund’s IRC;
- (xiv) own securities of an issuer if as a result of such ownership the Manager or Portfolio Manager would, either directly or indirectly, hold or exercise control or direction over greater than 19.99% of the securities of such issuer;

- (xv) engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (xvi) 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 would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) 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 the rules in section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act (or pursuant to any amendments to such provisions);
- (xvii) make any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act;
- (xviii) acquire or hold any property that is “taxable Canadian property” within the meaning of the Tax Act if the definition were read without paragraph (b) thereof (or any amendments to that definition) or “specified property” as defined in subsection 18(1) of the tax proposals released on September 16, 2004 if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Fund;
- (xix) acquire or hold any “non-portfolio property” as defined in the rules in the Tax Act that apply to “SIFT trusts” and “SIFT partnerships”;
- (xx) enter into any arrangement where the result is a dividend rental arrangement for purposes of the Tax Act;
- (xxi) make or hold any investments in entities that would be “foreign affiliates” of the Fund for purposes of the Tax Act; or
- (xxii) invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act.

Notwithstanding the foregoing, the Fund shall not be restricted in any way from holding cash or cash equivalents within 60 days prior to the Fund’s termination and to facilitate the redemption of Units.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Total Assets will not be considered a violation of the Investment Restrictions (except for the restrictions in paragraphs (ix), (xiii), (xiv) and (xix) above which must be complied with at all times and which may necessitate the selling of investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of 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 securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

The Fund may also hold cash equivalents from time to time.

In the event that leverage exceeds 40% of Total Assets, in order to reduce the leverage to or below 40%, the Fund will sell Portfolio Securities in an orderly manner and use the proceeds therefrom to reduce leverage.

Portfolio Composition

The following tables are unaudited information relating to the composition of the Portfolio net assets and top 10 holdings as of March 31, 2014:

Portfolio Composition by Sectors

	<u>Percentage of Portfolio</u>
Financial Intermediaries	14.29%
Business Equipment and Services	10.82%
Electronics/Electric	8.55%
Health Care	8.42%
Oil and Gas	6.98%
Automotive Retailers (other than Food/Drug)	5.09%
Conglomerates	4.57%
Chemicals/Plastics	4.36%
Telecommunications/Cellular	4.09%
Leisure	4.06%

Note: may not add to 100% due to leverage

Top 10 Portfolio Investments

<u>Issuer</u>	<u>Percentage of Portfolio</u>
EnergySolutions, LLC	10.07%
Jackson Hewitt Inc.	10.03%
UCI International Inc.	7.72%
Wildhorse Resources, LLC	7.35%
Harland Clarke Holdings Corp.	6.45%
CVR Refining, LLC/Coffeyville Finance Inc.	6.24%
TDS Investor Corp. (Travelport)	6.10%
Redtop Acquisitions Limited	5.52%
IG Investments Holdings, LLC	5.20%
Evergreen AcqCo 1 LP	4.96%

RATIONALE FOR THE OFFERING

Successful completion of the Offering will provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities. It is also expected to increase the trading liquidity of the Class A Units and reduce the management expense ratio of the Fund.

DETAILS OF THE OFFERING

The following is a summary only and is subject to, and is qualified in its entirety by reference to, the detailed provisions of the Warrant Indenture.

Issue of Warrants and Record Date

Subject to the Fund obtaining all necessary regulatory and exchange approvals, Unitholders will receive Warrants on the basis of one Warrant for each Class A Unit held at the close of business (Toronto time) on the Record Date. Two Warrants entitle the holder thereof to subscribe for one Class A Unit at the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date. The Class A Units issuable on the exercise of Warrants will

have the same rights and privileges as the issued and outstanding Class A Units. No warrants will be issued to holders of outstanding Class U Units.

The Warrants will be registered in the name of CDS or its nominee. Unitholders hold their Class A Units through a CDS Participant and will not receive physical certificates evidencing their ownership of Warrants. Only whole Warrants will be issued and any fractional Warrants otherwise issuable to a Unitholder will be rounded down to the nearest whole number. See “Delivery Form and Denomination of the Warrants” below.

Subscription Basis

Two Warrants entitle the holder to subscribe for one Class A Unit at the Subscription Price. Unitholders who exercise some or all of the Warrants held by them under the Basic Subscription Privilege shall be entitled to subscribe *pro rata* for Additional Units pursuant to the Additional Subscription Privilege on the basis described below.

Subscription Price

The Subscription Price for the Class A Units is \$9.84, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of filing the final short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering.

Commencement Date, Exercise Period and Expiry Date and Time

Warrants may be exercised on a monthly basis on the first Business Day of each month commencing on the Commencement Date and prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants may be exercised at any time during the Exercise Period and subscriptions will be effected on the applicable Exercise Date. Holders of Warrants who exercise their Warrants will become holders of Class A Units issued through the exercise of such Warrants. **WARRANTS NOT EXERCISED PRIOR TO 5:00 P.M. (TORONTO TIME) ON THE EXPIRY DATE WILL BE VOID.** If a Unitholder does not exercise, or sell, the Warrants, then the value of the Class A Units held by that Unitholder may be diluted as a result of the exercise of Warrants by others. See “Dilution to Existing Unitholders” below.

Exercise of Warrants and Warrant Agent

Computershare Investor Services Inc. will be appointed Warrant Agent of the Fund to receive subscriptions from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture. The Fund will pay for the services of the Warrant Agent. Holders of Warrants desiring to exercise such Warrants and purchase Class A Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants submitted to the Warrant Agent during the Exercise Period will be exercised in accordance with the practices and procedures of the Warrant Agent and the applicable CDS Participants. Class A Units will be issued on the applicable Exercise Date. Warrants exercised after 5:00 p.m. (Toronto time) on an Exercise Date will not be processed on that Exercise Date and holders of those Warrants will become holders of Class A Units on the next Exercise Date if applicable. Class A Units issued pursuant to the Additional Subscription Privilege will only be issued after all necessary calculations have been made following the Expiry Date as described under “Details of the Offering – Additional Subscription Privilege”.

Delivery Form and Denomination of the Warrants

All Warrants will be deposited with CDS and all Unitholders hold their Class A Units through a CDS Participant. Holders must arrange exercises or transfers of Warrants through CDS Participants. The Fund expects that each Unitholder will receive a confirmation of the number of Warrants issued to such Unitholder from their CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining accounts for its participants holding Warrants.

None of the Fund, the Manager, the Trustee or the Warrant Agent will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Warrants or the accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Warrants or (iii) any advice or representations

made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Basic Subscription Privilege

A holder of Warrants may subscribe for a whole number of Class A Units by instructing the CDS Participant holding the subscriber's Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Class A Unit subscribed for in accordance with the terms of the Offering and the Warrant Indenture to the CDS Participant which holds the subscriber's Warrants.

The entire Subscription Price for Class A Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to the applicable Exercise Date. **Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Exercise Date to allow the CDS Participant to properly exercise the Warrants on such subscriber's behalf. Class A Units will be issued on a fully-paid basis only. Class A Units not issued prior to the closing of the record books on a distribution record date will not be eligible to receive the applicable distribution. Holders of Warrants are encouraged to contact their broker or other CDS Participants as each CDS Participant may have an earlier cut-off time.**

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Manager and the Warrant Agent during the Exercise Period, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of Class A Units were holders of record on the Record Date.

Notwithstanding anything to the contrary in this short form prospectus, the Warrants may not be distributed to Unitholders located in the United States, and the Warrants, including those purchased in the secondary market, may be exercised only by a holder of Warrants who represents at the time of exercise that the holder is not located in the United States, did not acquire the Warrants while in the United States, is not a U.S. person and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. Payment of the Subscription Price will constitute a representation that the subscriber is not located in the United States, did not acquire Warrants while in the United States, is not a U.S. person, and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. See "Plan of Distribution – United States Unitholders".

Holders of Warrants who wish to exercise their Warrants and receive Class A Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Class A Units issuable upon the exercise thereof are issued to the holder.

Additional Subscription Privilege

Each holder of Warrants that subscribes for Class A Units to which such holder is entitled pursuant to the Basic Subscription Privilege may, at any time during the Exercise Period, subscribe for Additional Units pursuant to the Additional Subscription Privilege, if applicable, at a price equal to the Subscription Price for each Additional Unit. Holders of Warrants will not be required to fully exercise all of their Warrants under the Basic Subscription Privilege in order to be eligible for the Additional Subscription Privilege.

The number of Additional Units available for all additional subscriptions will be the difference, if any, between the total number of Class A Units issuable upon exercise of Warrants and the total number of Class A Units subscribed and paid for prior to 5:00 p.m. (Toronto time) on the Expiry Date. Subscriptions for Additional Units will be received subject to allotment only and the number of Additional Units, if any, which may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Units which that subscriber has subscribed for under the Additional Subscription Privilege; and (b) the product (disregarding fractions) obtained by multiplying the number of Additional Units by a fraction, the numerator of which is the number of Warrants exercised by that subscriber under the Basic Subscription Privilege and the denominator of which is the aggregate number of

Warrants exercised under the Basic Subscription Privilege by holders of Warrants that have subscribed for Additional Units pursuant to the Additional Subscription Privilege. If any holder of Warrants has subscribed for fewer Additional Units than such holder's pro rata allotment of Additional Units, the excess Additional Units will be allotted in a similar manner among the holders who were allotted fewer Additional Units than they subscribed for.

To apply for Additional Units under the Additional Subscription Privilege, a beneficial holder of Warrants must forward its request to a CDS Participant. Payment for Additional Units must accompany the request when it is delivered to the CDS Participant. Accordingly, the subscriber must deliver payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise Warrants on such subscriber's behalf and apply for Additional Units under the Additional Subscription Privilege, as applicable. Payment in full of the Subscription Price must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date, failing which the subscriber's entitlement to such Class A Units will terminate. Any excess funds will be returned by mail or credited to a subscriber's account with its CDS Participant, without interest or deduction. **Class A Units will be issued on a fully-paid basis only. Class A Units not issued prior to the closing of the record books on a distribution record date will not be eligible to receive the applicable distribution. Holders of Warrants are encouraged to contact their broker or other CDS Participants as each CDS Participant may have an earlier cut-off time.**

Sale or Transfer of Warrants

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Class A Units, sell or transfer their Warrants. Holders of Warrants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Class A Units, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant. The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX on or before July 13, 2014.

Dilution to Existing Unitholders

If a Unitholder wishes to retain its current percentage ownership in the Class A Units of the Fund and assuming that all Warrants held by other Unitholders are exercised, such Unitholder should purchase all of the Class A Units for which it may subscribe pursuant to the Warrants delivered under the Offering. If a Unitholder does not do so and other holders of Warrants exercise all of their Warrants, that Unitholder's current percentage ownership in the Class A Units of the Fund will be diluted by the issue of Class A Units issued on the exercise of Warrants.

The Warrant Indenture contains anti-dilution provisions such that the subscription rights in effect under the Warrants for Class A Units issuable upon the exercise of the Warrants will be subject to adjustment from time to time if, prior to the Expiry Date, the Fund:

- (a) subdivides, redivides or changes its outstanding Class A Units into a greater number of Class A Units;
- (b) reduces, combines or consolidates its outstanding Class A Units into a smaller number of Class A Units;
- (c) distributes to holders of all or substantially all of the outstanding Class A Units, any securities of the Fund including rights, options or warrants to acquire Class A Units or securities convertible into or exchangeable for Class A Units or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassifies the Class A Units or reorganizes the capital of the Fund; or
- (e) consolidates, amalgamates, or merges the Fund with or into any other trust or other entity, or sells or conveys the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption or retraction of Class A Units).

IRC Consideration

As required by National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“**NI 81-107**”), the Manager has established an IRC for the Fund. The Manager referred this Offering to the IRC for its consideration, and the IRC has advised the Manager that the IRC has determined that the Offering would achieve a fair and reasonable result for the Fund. The IRC has come to this conclusion based on the information provided to the IRC by the Manager, the information set out on pages 7 to 10 of this short form prospectus and the information set out in this short form prospectus generally. Warrantholders should review this short form prospectus before making their decision.

FEES AND EXPENSES

Expenses of the Offering

The expenses of the Offering (including the costs of preparing, printing and mailing the short form prospectus, legal expenses, expenses of the auditor and translation fees), which are estimated to be \$125,000 in the aggregate, will be paid by the Fund.

Warrant Exercise Fee

The Fund will pay a Warrant exercise fee at the time the Warrant is exercised equal to \$0.15 per Class A Unit to the CDS Participant whose client is exercising the Warrant. The Warrant exercise fee payable is subject to a maximum of \$2,500 per beneficial subscriber in respect of Warrants exercised by or on behalf of any single beneficial subscriber pursuant to the Basic Subscription Privilege and Additional Subscription Privilege.

Management Fees

The Manager receives a management fee at an annual rate equal to 1.25% of the Net Asset Value, calculated daily and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to the Portfolio Manager out of the management fee.

Ongoing Expenses

The Fund pays for all ordinary expenses incurred in connection with its operation and administration. The expenses for the Fund include, without limitation, all costs of portfolio transactions, fees payable to the Manager, the Trustee and other third party services providers, custodial fees, legal, accounting, audit and valuation fees and expenses, fees and expenses of the members of the IRC, expenses related to compliance with NI 81-107, fees and expenses relating to the voting of proxies by a third party, premiums for directors’ and officers’ insurance coverage for the members of the IRC, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements and investor relations, website maintenance costs, taxes, brokerage commissions, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness. Such expenses may also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Portfolio Manager, the custodian, the IRC and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this short form prospectus will be on terms that are no less favourable to the Fund than those available from arm’s length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

CAPITALIZATION TABLE

The following table sets forth the unaudited capitalization of the Fund before and after giving effect to the Offering:

<u>Designation</u>	<u>Authorized as at December 31, 2013</u>	<u>Outstanding as at December 31, 2013</u>	<u>Outstanding as at December 31, 2013 after giving effect to the Offering⁽¹⁾</u>
Class A Units	Unlimited	\$163,395,557 (17,200,000 Class A Units)	\$246,604,557 (25,800,000 Class A Units)
Class U Units	Unlimited	\$9,716,295 (964,140 Class U Units)	\$9,716,295 (964,140 Class U Units)

Notes

- (1) Based on the number of Class A Units outstanding less the payment of the fees and expenses of the Offering, estimated to be \$125,000, and assuming payment of a Warrant exercise fee by the Fund equal to \$0.15 per Unit and assuming the exercise of all Warrants issued hereunder at a Subscription Price of \$83,209,000.

PRICE RANGE, NET ASSET VALUE, TRADING VOLUME OF CLASS A UNITS AND DISTRIBUTIONS

The Class A Units trade on the TSX under the symbol “FRL.UN”. On May 2, 2014 the closing price of the Class A Units on the TSX was \$9.42 per Class A Unit. The following table sets forth the market price range and trading volume of the Class A Units on the TSX from the commencement of operations to the date of this short form prospectus. All such information, other than the NAV per Class A Unit and distributions per Class A Unit, was obtained from TMX Datalinx and the Fund, the Manager, the Trustee and the Warrant Agent do not assume any responsibility for the accuracy of such information.

<u>Period</u>	<u>NAV Per Class A Unit⁽¹⁾</u>		<u>Distributions per Class A Unit⁽²⁾</u>	<u>Market Price</u>		
	<u>High</u>	<u>Low</u>		<u>High</u>	<u>Low</u>	<u>Volume</u>
<u>2014</u>						
May 1-2	\$9.69	\$9.69	\$0.54167	\$9.42	\$9.34	87,163
April	\$9.73	\$9.67	\$0.54167	\$9.65	\$9.17	789,580
March	\$9.75	\$9.68	\$0.54167	\$9.35	\$9.09	608,441
February	\$9.72	\$9.65	\$0.54167	\$9.30	\$9.02	686,139
January	\$9.69	\$9.56	\$0.54167	\$9.57	\$8.95	690,437
<u>2013</u>						
December	\$9.59	\$9.52	\$0.54167	\$9.75	\$9.02	571,386
November	\$9.56	\$9.48	\$0.54167	\$9.90	\$8.95	371,761
October	\$9.52	\$9.41	\$0.54167	\$9.94	\$9.10	546,372
September	\$9.41	\$9.41	\$0.54167	\$9.90	\$9.75	652,939

Source: TMX Datalinx (trading data as at May 2, 2014)

Notes:

- (1) The Net Asset Value is presented on a diluted basis where applicable, and is calculated and published on a daily basis.
(2) Distributions are listed by the month in which such distribution was declared.

PRIOR SALES

Since the Fund's initial public offering, no Units have been issued from treasury and sold by the Fund.

USE OF PROCEEDS

Assuming that all Warrants distributed to Unitholders of record on the Record Date are exercised, based on the Subscription Price of \$9.84, the expected net proceeds of the Offering will be approximately \$83,209,000, after the deduction of estimated expenses and warrant exercise fees, which together are estimated to be \$1,415,000 if all Warrants issued hereunder are exercised.

The net proceeds of the Offering will be invested by the Fund in accordance with the investment objectives and investment strategy of the Fund and subject to the investment restrictions of the Fund.

PLAN OF DISTRIBUTION

The Fund has obtained an exemption from the dealer registration requirement in respect of the issuance of the Warrants and the Units issuable upon exercise thereof from the securities regulators pursuant to section 74(1)1 of the *Securities Act* (Ontario) and equivalent provisions in other provinces and territories of Canada and section 15.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX on or before July 13, 2014. See also "Details of the Offering".

United States Unitholders

The Units are not registered under the 1933 Act. The Offering is made in Canada and not in the United States. The Offering is not, and under no circumstances is to be construed as, an offering of any Class A Units for sale in the United States or an offering to or for the account or benefit of any U.S. person or a solicitation therein of an offer to buy any securities. Accordingly, the Warrants may not be distributed to Unitholders located in the United States, and no subscriptions will be accepted from any person, or their agent, who appears to be, or who the Fund has reason to believe is, resident in the United States.

It is expected that the CDS Participant will, prior to the Expiry Date, attempt to sell for the United States Unitholders the Warrants allotable to such United States Unitholders at the price or prices it determines in its discretion. Neither the Fund, nor the Manager, nor any CDS Participant, nor the Warrant Agent will be subject to any liability for the failure to sell any Warrants for such Unitholders or as a result of the sale of any Warrants at a particular price on a particular day. Any proceeds received by the CDS Participant with respect to such Warrants are expected to be delivered by the CDS Participant as soon as practicable to such United States Unitholders.

Other Foreign Unitholders and Undeliverable Documents

Unitholders whose recorded addresses are outside of Canada, other than the United States Unitholders, will be permitted to subscribe for Class A Units pursuant to the terms of the Offering or, if they do not wish to exercise any of their Warrants to subscribe for Class A Units, will be permitted to sell or otherwise transfer their Warrants through a CDS Participant provided that they represent to the Fund that the receipt by them of Warrants and the issuance to them of Class A Units upon the exercise of the Warrants will not be in violation of the laws of their jurisdiction of residence.

By exercising Warrants, holders exercising through CDS Participants will be deemed to be confirming to the Fund that such Unitholders are eligible to receive Warrants and to exercise Warrants to subscribe for Class A Units under the Offering.

All Unitholders whose recorded address is outside of Canada, other than those Unitholders who confirm their eligibility to receive and exercise Warrants, are advised that their Warrants will be held by their CDS Participant for the account of such Unitholders. It is expected that the CDS Participant will, prior to the Expiry Date, attempt to sell for such Unitholders the Warrants allotable to such Unitholders at the price or prices it determines in

its discretion. Any proceeds received by the CDS Participant with respect to such Warrants are expected to be delivered by the CDS Participant as soon as practicable to such Unitholders.

If any Warrant offering documents are returned to a CDS Participant prior to the Expiry Date as undeliverable, the Manager expects that the respective Warrants will be sold and the net proceeds will be held by the CDS Participant for the account of the Unitholders whose Warrant offering documents were undeliverable. In the event such proceeds are not claimed before the Expiry Date, such proceeds will be paid to the Fund.

Holders of Warrants who are Unitholders resident outside of Canada are cautioned that the acquisition and disposition of Warrants and Class A Units may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager receives the fees described under “Fees and Expenses” for its services to the Fund and is reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund.

RISK FACTORS

In addition to the risks described in this short form prospectus, the AIF contains a detailed discussion of risks and other considerations relating to an investment in Units of the Fund which Unitholders should be aware of (reference should be made to pages 30 through 39 of the AIF). You can obtain a copy of the AIF by contacting the Manager, or you can download or view it on the internet at www.propelcapital.ca or www.sedar.com. The contents of such annual information form are specifically incorporated by reference herein. See “Documents Incorporated by Reference”. Information contained on the Manager’s website is not part of this short form prospectus and is not incorporated herein by reference.

Certain risk factors relating to the Fund, the Warrants and the Class A Units 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 Units, could be materially adversely affected.

Dilution to Existing Unitholders

If a Unitholder does not exercise, or elects to sell, its Warrants, then the value of the Class A Units held by such Unitholder may be diluted as a result of the exercise of Warrants by others. Additionally, the exercise of Warrants may have a dilutive impact on the Fund’s distributable income per Class A Unit.

No Public Market for the Warrants

The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX on or before July 13, 2014. There is currently no public market for the Warrants and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act with respect to the receipt, exercise and disposition of Warrants acquired under the Offering. This summary is only applicable to a Unitholder who is an individual (other than a trust), who acquires Warrants pursuant to the Offering and who, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length and is not affiliated with the Fund, has not entered and will not enter into a “derivative forward agreement” as that term is defined in the Tax Act with respect to the Warrants or Class A Units and holds his or her Class A Units, and will hold his or her Warrants and any Class A Units issued on the exercise of Warrants, as capital property. Warrants and Class A Units will generally be considered to be capital property to a Unitholder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. A Unitholder whose Class A Units might not otherwise qualify as capital property

may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Class A Units and every other “Canadian security” (as defined in the Tax Act) owned by such Unitholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Such an election would not apply in respect of the Warrants. Unitholders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

This summary is based upon the current provisions of the Tax Act, and counsel's understanding of the current published administrative policies and assessing practices of the CRA made publicly available prior to the date hereof. This summary also takes into account all Proposed Amendments. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in the law or administrative policies or assessing practices, whether by way of legislative, governmental or judicial decision or action, nor does it take into account provincial or foreign tax legislation or considerations.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the acquisition and exercise of a Warrant pursuant to this Offering. This summary does not address the deductibility of interest on any funds borrowed to exercise Warrants. Moreover, the income and other tax consequences will vary according to the status of the Unitholder, the province or territory or provinces or territories in which the Unitholder resides or carries on business and, generally, the Unitholder's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute legal or tax advice to any particular Unitholder. Unitholders should consult their own tax advisors with respect to the income tax consequences applicable to them of an acquisition, exercise and disposition of Warrants, based upon their particular circumstances.

Receipt of Warrants

No amount will be required to be included in computing the income of a Unitholder as a consequence of acquiring Warrants under the Offering, provided that the income of the Fund for its taxation year in which the Warrants are issued does not exceed the total of the cash distributions and distributions in Units from the Fund for such year that were or will be deducted by the Fund in computing its income for purposes of the Tax Act. However, each Unitholder will be required to reduce the adjusted cost base of his or her Class A Units by the aggregate fair market value of all the Warrants received by such Unitholder under the Offering. To the extent that the adjusted cost base of a Class A Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Class A Unit, and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain. The cost of a Warrant received under the Offering will be nil.

A Warrant acquired by a Unitholder otherwise than pursuant to the Offering will be regarded as identical to every other Warrant held by the Unitholder at that time as capital property. For the purposes of determining the adjusted cost base of each Warrant held by a Unitholder, the cost of Warrants so acquired must be averaged with the adjusted cost base to the Unitholder of all other Warrants held as capital property immediately prior to such acquisition.

Exercise of Warrants

The exercise of Warrants will be deemed not to constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized on the exercise of Warrants. A Class A Unit acquired by a Unitholder upon the exercise of Warrants will have a cost to the Unitholder for tax purposes equal to the aggregate of the Subscription Price for such Class A Unit and the adjusted cost base, if any, to the Unitholder of the Warrants so exercised. The cost of a Class A Unit acquired by a Unitholder upon the exercise of Warrants will be averaged with the adjusted cost base to the Unitholder of all other Class A Units held at the time as capital property to determine the adjusted cost base of each Class A Unit to the Unitholder.

Disposition and Expiry of Warrants

Upon the disposition or deemed disposition of a Warrant by a Unitholder, which, as discussed above, will be deemed to not include an exercise thereof, the Unitholder will realize a capital gain (or capital loss) in the

taxation year in which such disposition occurs to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base, if any, of the Warrant to the Unitholder. Upon the expiry of an unexercised Warrant, a Unitholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Unitholder. One-half of such a capital gain (a “taxable capital gain”) will be included in computing the Unitholder's income, and one-half of such a capital loss (an “allowable capital loss”) must be deducted against taxable capital gains realized in such taxation year of the Unitholder in accordance with the detailed rules in the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act. Capital gains realized by a Unitholder may give rise to alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, provided that the Warrants and the Class A Units to be issued on the exercise of Warrants are listed on a designated stock exchange under the Tax Act (which currently includes the TSX), the Warrants, and the Class A Units issued on the exercise of Warrants, would be, if issued on the date hereof, qualified investments under the Tax Act for Registered Plans.

Notwithstanding that a Warrant or Class A Unit to be issued on the exercise of Warrants may be a qualified investment for a trust governed by a TFSA, RRSP or RRIF, the holder of such TFSA or the annuitant under such RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of a Warrant or Class A Unit to be issued on the exercise of Warrants held in the TFSA, RRSP or RRIF, as the case may be, if such Warrant or Class A Unit is a “prohibited investment” for the TFSA, RRSP or RRIF, as the case may be. Provided that the holder of a TFSA or the annuitant under an RRSP or RRIF (i) deals at arm's length with the Fund within the meaning of the Tax Act, and (ii) does not have a “significant interest” (as defined in the Tax Act) in the Fund, the Warrants and Class A Units to be issued on the exercise of Warrants will not be a prohibited investment for a trust governed by such TFSA, RRSP or RRIF. In addition, the Class A Units to be issued on the exercise of Warrants will not be a prohibited investment if such Class A Units are “excluded property” as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF. Holders of TFSAs and annuitants under RRSPs or RRIFs who wish to hold Warrants or Class A Units to be issued on the exercise of Warrants in such plans should consult their own tax advisors.

AUDITORS

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

REGISTRAR AND TRANSFER AGENT AND WARRANT AGENT

Computershare Investor Services Inc. is the registrar and transfer agent for the Units, and Computershare Investor Services Inc. will be appointed the Warrant Agent and the registrar and transfer agent for the Warrants.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Fund. As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP as a group own less than one percent of the outstanding Units and any other outstanding securities of any associate or affiliate of the Fund.

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, who have prepared an independent auditors' report dated March 26, 2014 in respect of the financial statements of the Fund as at December 31, 2013. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

Pursuant to the terms of the Warrant Indenture, the Fund has granted to each holder of Warrants who elects to purchase Class A Units pursuant to the Basic Subscription Privilege a contractual right of rescission. Pursuant to

such right, a holder of Warrants that elects to exercise Warrants pursuant to the Basic Subscription Privilege may rescind such exercise by delivering a notice of rescission (in the form attached to the Warrant Indenture) to the Warrant Agent not later than midnight (Toronto time) on the second Business Day after a valid subscription is received by the Warrant Agent (being the date on which both the instruction to exercise the Warrants and payment in full of the Subscription Price therefor is received by the Warrant Agent). Each holder of Warrants validly electing to rescind an exercise of Warrants will receive a full refund of the Subscription Price paid in connection with such exercise and will not receive any Class A Units. Any Warrants rescinded will be cancelled. The contractual right of rescission granted to such holder is in addition to any other right or remedy available to a holder of Warrants at law.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a short form prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission, revision of the price or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE FUND AND THE MANAGER

Dated: May 5, 2014

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

PROPEL CAPITAL CORPORATION
(as Manager and Promoter of the Fund)

(Signed) RAJ LALA
Chief Executive Officer and President

(Signed) KRISTA MATHESON
Chief Financial Officer

**On behalf of the Board of Directors of
PROPEL CAPITAL CORPORATION**

(Signed) MICHAEL SIMONETTA
Director

(Signed) KEITH CRONE
Director