



**MOUNT LOGAN**  
CAPITAL

# **MOUNT LOGAN CAPITAL INC.**

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## **ANNUAL INFORMATION FORM**

**For the Financial Year Ended  
December 31, 2020**

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**March 22, 2021**

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## EXPLANATORY NOTES

### General

The fiscal year end of Mount Logan Capital Inc. is December 31.

The information in this Annual Information Form is stated as at December 31, 2020, unless otherwise indicated.

Unless otherwise indicated or the context otherwise requires, all references in this Annual Information Form to “Mount Logan”, “MLC”, “the Corporation”, “we”, “us”, “our”, and “our company” refer to Mount Logan Capital Inc. and its predecessors and material subsidiaries and all references to “\$” or “dollars” are to United States dollars.

All financial information in this Annual Information Form was prepared in accordance with International Financial Reporting Standards.

### Forward-Looking Information

This Annual Information Form contains “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws (forward-looking statements and forward-looking information being collectively referred to as “forward-looking information”) that are based on expectations, estimates and projections as at the date of this Annual Information Form. This forward-looking information includes, but is not limited to, statements and information concerning: statements relating to the business and future activities of the Corporation; future financial or operating performance of the Corporation; liquidity of the common shares of the Corporation; investment characteristics of the Corporation; expected portfolio scale of the Corporation; the business model and approach of the Corporation; future credit opportunities; future outlook and anticipated events or results; future financial position; expected plans, objectives and industry trends; payment of dividends including the timing and amount thereof; requirements for additional capital; future growth and expansion of the Corporation’s loan portfolio; the specific terms of the loans that will form part of the Corporation’s loan portfolio from time to time; statements and information about the receipt by the Corporation of proceeds from the sale by Cline (as defined below) to Allegiance (as defined below) of all the shares of NECC (as defined below), the timing thereof and the distribution of any proceeds to the holders of CVRs (as defined below); SCIM (as defined below) remaining the investment adviser of CIF (as defined below); the Corporation’s expansion from a lending-oriented credit platform to an alternative asset management company and the related asset management fee income; and other statements that are not historical facts. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking information. This forward-looking information is based on the beliefs of the Corporation’s management, as well as on assumptions and other factors, which management believes to be reasonable based on information available at the time such information was given. Such assumptions include, among other things, assumptions regarding the expected results of operations, performance, industry trends and opportunities available to the Corporation. These factors, many of which are beyond the control of the Corporation include, without limitation: general economic conditions, including the continued impact of the outbreak of the novel coronavirus including the progression of the virus, the emergence of variants and the timing of the manufacture and distribution of vaccines on global financial conditions; industry conditions; currency fluctuations and hedging; competition from other industry participants; stock market volatility; interest rate risk; the creditworthiness of and/or defaults by borrower clients; the illiquidity of loans; continued lack of regulation in the business of lending from sources other than commercial banks; continued operation of key systems; the ability of borrower clients to service their debt; continuing constraints on bank lending to mid-market companies; potential changes in the Corporation’s business strategy; future capital needs and potential dilution to shareholders; there are no guarantees regarding the payment of dividends or, if applicable, the timing or amount thereof; retention of key personnel; conflicts of interest and adequate management thereof; solvency of borrower clients; limited loan

prepayment; and effective use of leverage and the strength of proposed and existing relationships with lending partners. This list is not exhaustive of the factors that may affect any of the forward-looking information contained herein.

Forward-looking information is information about the future and is inherently uncertain. There can be no assurance that the forward-looking information will prove to be accurate. Actual results could differ materially from those reflected in the forward-looking information as a result of, among other things, the matters set out in this Annual Information Form generally and economic and business factors, some of which may be beyond the control of the Corporation. Some of the more important risks and uncertainties that could affect forward-looking information are described further under the heading “Risk Factors” in this Annual Information Form. Forward-looking information contained in this Annual Information Form is made as of the date of this Annual Information Form and the Corporation disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty in them. All subsequent forward-looking information, whether written or oral, attributable to the Corporation or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

## CORPORATE INFORMATION

### Name and Organization

The Corporation was formed in the name “Primary Corp.” by articles of amalgamation dated August 1, 2008, as a result of the amalgamation of Trans America Industries Ltd. and 1774114 Ontario Ltd. pursuant to the *Business Corporations Act* (Ontario) (the “**OBCA**”). On September 9, 2010, the Corporation’s articles were amended to create an unlimited number of preference shares, issuable in series (“**Preference Shares**”). On April 19, 2011, the Corporation’s articles were amended to consolidate the common shares of the Corporation on the basis of 0.2 of a post-consolidation common share for each one pre-consolidation common share, with fractional shares held by any one shareholder being eliminated. On June 29, 2012, the articles of the Corporation were amended to change the name of the Corporation to “Marret Resource Corp.” On June 29, 2015, the articles of the Corporation were amended to permit the Corporation to redeem common shares and return capital to its shareholders.

On October 19, 2018, the Corporation completed a plan of arrangement under the OBCA (the “**Arrangement**”) and filed articles of arrangement which provided for, among other things:

- each of the common shares in the capital of the Corporation (each, a “**Share**”) was exchanged for one (1) common share in the capital of the Corporation created pursuant to the Arrangement (each, a “**New Share**”, in each case, unless otherwise noted in this section of this Annual Information Form, prior to taking into account the Consolidation (as defined below) completed on December 3, 2019) and, subject to certain restrictions, one (1) contingent value right (a “**CVR**”), with each CVR representing a contingent cash entitlement in respect of Cline Mining Corporation (“**Cline**”);
- each shareholder that validly elected to exchange their New Shares for cash, in accordance with the Arrangement and as a result of proration, received cash consideration of CAD\$0.53 per share in respect of 95% of its New Shares deposited pursuant to such election and retained the remainder of its New Shares;
- each shareholder that validly elected to exchange their New Shares for warrants, in accordance with the Arrangement and as a result of proration, received warrants in respect of approximately 72.5% of its New Shares deposited pursuant to such election and retained the remainder of its New Shares;
- each of the subscription receipts (the “**Subscription Receipts**”) issued pursuant to the Corporation’s private placement of 73,738,548 Subscription Receipts for gross proceeds of approximately CAD\$40.6 million automatically converted, for no further consideration and without any further action by the holder thereof, into one (1) Share with each such Share immediately exchanged for one (1) New Share;

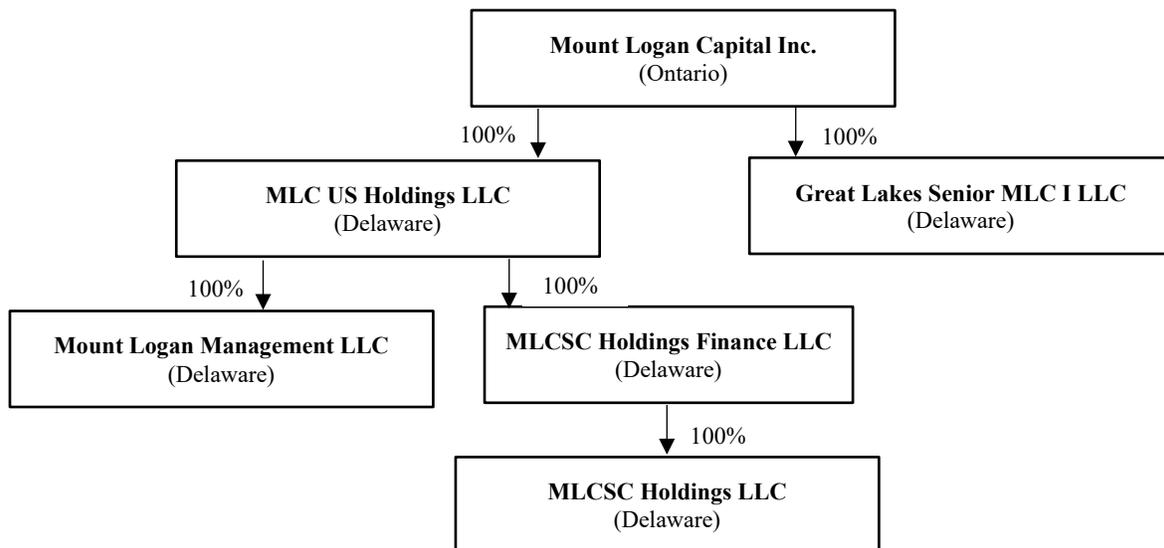
- the Corporation acquired Great Lakes Senior MLC I LLC (“**MLC I**”), a newly formed entity established by an affiliate of BC Partners Investment Holdings Limited (“**BCPIHL**”) in connection with the transactions contemplated by the Arrangement, in exchange for the issuance to BCPIHL of an aggregate of 3,292,952 New Shares (411,619 common shares after giving effect to the Consolidation completed on December 3, 2019); and
- the Corporation changed its name from “Marret Resource Corp.” to “Mount Logan Capital Inc.”.

On December 3, 2019, the Corporation filed articles of amendment providing for the consolidation of the issued and outstanding common shares of the Corporation on the basis of one (1) post-consolidation share for every eight (8) pre-consolidation shares (the “**Consolidation**”).

The head office of the Corporation is located at 650 Madison Avenue, 23rd Floor, New York, NY 10022 and the registered office of the Corporation is located at 365 Bay Street, Suite 800, Toronto, ON M5H 2V1.

### Structure of the Corporation

The following chart outlines the Corporation’s corporate structure and identifies the jurisdictions of each of the Corporation’s subsidiaries as of the date hereof.



### GENERAL DEVELOPMENT OF THE BUSINESS

Over the past three completed financial years of the Corporation to the date of completion of the Arrangement, the Corporation (in its prior name of “Marret Resource Corp.”) was focused on natural resource lending and its business was primarily directed to investing in public and private debt securities of, and making term loans (including bridge and mezzanine debt) to, issuers in a broad range of natural resource sectors, including energy, base and precious metals and other commodities, and issuers involved in exploration and development. The Corporation’s business also included financing other resource-related businesses and investing in public and private equity and quasi-equity securities. The Corporation’s investment strategy was to seek to generate income mainly from its lending activities, while taking advantage of additional upside through equity participation in the companies which it financed. During this period, the Corporation appointed Marret Asset Management Inc. (the “**Former Manager**”) to manage the operations, business and affairs of the Corporation and to provide all necessary or advisable administrative services and facilities as set forth in the management services agreement between the Corporation and the Former Manager dated December 23, 2010, as amended (the “**Management Services Agreement**”). Such services included implementing decisions of the board of directors of the Corporation (the “**Board of Directors**”), administering day-

to-day business affairs, including the Corporation's day-to-day investment operations and assisting in compliance with regulatory and securities legislation.

Since 2014, the Corporation from time to time considered various alternatives to deal with the significant trading price discount to the net asset value of its common shares, owing to a certain extent to the material deterioration in commodity prices and related securities, and to the consequent lack of liquidity on its common shares. The alternatives considered included liquidity initiatives, modifications to the Corporation's business strategy, potential divestitures of assets and the sale of the Corporation. At the end of 2017, the Corporation contacted various potential parties operating in an industry complementary to the Corporation's then current business asking for expressions of interest in pursuing a transaction. Two parties, including BC Partners Advisors L.P. ("**BC Partners**"), a leading international investment firm, responded to the Corporation's request for expressions of interest and the Corporation began negotiations with each. Negotiations continued during the first quarter of 2018 with draft letters of intent being circulated between the Corporation and the parties. A letter of intent setting out the principal terms of the Arrangement was entered into between the Corporation and BC Partners on April 20, 2018 (the "**Letter of Intent**"). The Corporation determined to pursue the Arrangement in order to improve the Corporation's risk profile by permitting the Corporation to broaden its focus from natural resource lending to a broader lending-oriented credit platform. In addition to the Financing (as defined below) greatly improving the liquidity and capitalization of the Corporation, it was anticipated that the broadening of the Corporation's investment strategy beyond the natural resource sector would place the Corporation in a position to take advantage of a larger pool of investment opportunities in order to deliver a strong risk-adjusted return on capital.

On April 23, 2018, the Corporation announced that, pursuant to the terms of the Letter of Intent, the Corporation proposed to raise not less than CAD\$25.0 million through a "best efforts" brokered private placement (the "**Financing**") of Subscription Receipts at a price of CAD\$0.55 per Subscription Receipt. On each of June 27, 2018, August 30, 2018 and October 11, 2018 the Corporation announced the closing of a tranche of the Financing. The total Financing consisted of the issuance of 73,738,548 Subscription Receipts for gross proceeds of approximately CAD\$40.6 million.

On July 27, 2018, the Corporation announced that it had entered into a definitive arrangement agreement in respect of the Arrangement.

On September 19, 2018, the Corporation announced that it had received conditional approval to list on the Neo Exchange Inc. (the "**NEO Exchange**"). In connection with its proposed listing on the NEO Exchange, the Corporation announced that it would apply to voluntarily delist from the Toronto Stock Exchange. On October 25, 2018, the Corporation began trading on the NEO Exchange under the symbol "MLC".

On September 28, 2018, shareholders of the Corporation approved the Arrangement at a special meeting of shareholders convened for such purpose.

On October 19, 2018, and prior to the completion of the Arrangement, MLC I entered into definitive agreements (collectively, the "**MLC I Loan Agreements**") pursuant to which it would acquire an initial seed portfolio of primarily U.S.-based senior secured loans. The MLC I Loan Agreements also permit MLC I to acquire from a leading U.S. based loan provider ("**Loan Partner**") additional loans to be agreed to between MLC I and the Loan Partner. In connection with the MLC I Loan Agreements, MLC I and the Loan Partner also entered into an administration agreement (the "**Administration Agreement**") whereby the Loan Partner will provide MLC I with certain administrative services. The Administration Agreement sets out the procedures by which MLC I will select the loans to be assigned under the MLC I Loan Agreements, including timing to select loans and the funding thereof, while the purchase price for the loans will be set out in purchase commitment letters (the "**Loan Program**"). The purchase price for each loan will be an amount (not to exceed par) to be agreed between MLC I and the Loan Partner. The Loan Partner is required to provide additional services under the Administration Agreement including, but not limited to, providing detailed information to MLC I on each loan and permitting MLC I to conduct due diligence on the borrower. Each loan acquired under the Loan Program will be based on MLC I's investment criteria described elsewhere in this Annual Information Form.

On October 19, 2018, and following the entering into of the MLC I Loan Agreements, the Arrangement was completed pursuant to which, among other things, each Subscription Receipt was ultimately converted into one

common share of the Corporation, the net proceeds of the Financing were released to the Corporation and the Corporation acquired all of the issued and outstanding securities of MLC I in exchange for the issuance to BCPIHL of common shares of the Corporation.

Immediately following the completion of the Arrangement, the Corporation (through its wholly-owned subsidiary, MLC I, and pursuant to the MLC I Loan Agreements) completed the acquisition of loans and debt instruments in the aggregate principal amount of \$16.0 million. Immediately thereafter, the Corporation directly completed the acquisition of an additional \$7.3 million and CAD\$5.1 million of loans sourced from BC Partners. The loans and debt instruments directly and indirectly acquired by the Corporation formed the Corporation's initial seed portfolio. The direct and indirect acquisition of the loans and debt instruments comprising the initial seed portfolio required disclosure under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* and the Corporation filed a Form 51-102F4 (Business Acquisition Report) in respect thereof.

In connection with the completion of the Arrangement, the Management Services Agreement was terminated, provided that the Former Manager and the Corporation agreed that the Former Manager shall continue to manage the Corporation's investment in Cline for a fee equal to 1% of the net proceeds of any distribution made by Cline in a particular year or 1% of the net proceeds to the Corporation from a sale of the Corporation's interest in Cline.

On November 20, 2018, the Corporation and BC Partners entered into a Servicing Agreement, whereby BC Partners will provide certain administrative services to the Corporation.

On November 28, 2018, the Corporation announced its commitment of \$10.0 million (to be drawn over time) to invest alongside BC Partners in a unitranche lending program. Funding of \$5.0 million was made under this program during 2018, with an additional \$4.5 million during 2019 and \$0.8 million during 2020. The investment was fully disposed in the fourth quarter of 2020 and the Corporation has no further commitment to invest.

On February 22, 2019, MLC I entered into a facility and security agreement ("**Loan Facility**") of up to \$50.0 million with a large financial institution as initial lender, and such other additional institutions who from time to time are parties thereto (the "**Lender**").

On July 15, 2019, the Former Manager announced that Cline entered into a conditional term sheet for the proposed sale by Cline to Allegiance Coal Limited ("**Allegiance**") of all the shares in New Elk Coal Company, LLC ("**NECC**"). NECC owns the New Elk Coal hard coking coal mine located in southeast Colorado.

On August 19, 2019, Mount Logan Management LLC ("**ML Management**"), a wholly-owned subsidiary of the Corporation, entered into a monitoring agreement with BC Partners pursuant to which, among other things, ML Management receives a fee for providing monitoring services in respect of certain investments managed by BC Partners, all as agreed to by ML Management and BC Partners from time to time.

On September 10, 2019, the Corporation completed a non-brokered private placement of an aggregate of 2,968,751 common shares (371,093 common shares after giving effect to the Consolidation completed on December 3, 2019) at a price of CAD\$0.56 per share for gross proceeds of CAD\$1.7 million.

On December 3, 2019, the Corporation completed the Consolidation of the issued and outstanding common shares of the Corporation on the basis of one (1) post-Consolidation share for every eight (8) pre-Consolidation shares. The exercise price and number of common shares of the Corporation issuable upon the exercise of outstanding warrants of the Corporation was adjusted accordingly.

On December 4, 2019, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share payable to shareholders of record as of December 13, 2019. The dividend was designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

On January 22, 2020, the Former Manager announced that Cline had entered into a binding agreement for the sale by Cline to Allegiance of all the shares in NECC, which holds all the mining assets of Cline, for a purchase

price of approximately CAD\$55.0 million to be comprised of a mix of cash, shares of Allegiance and deferred cash payments that will be subject to certain conditions.

On January 31, 2020, MLC I entered into an amendment to the Loan Facility pursuant to which, among other things, the maturity date was extended from February 21, 2020 to February 19, 2021.

On March 25, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share payable to shareholders of record as of April 14, 2020. The dividend was designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

On May 11, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share payable to shareholders of record as of May 21, 2020. The dividend was designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

On June 5, 2020, the Former Manager announced that Cline had amended the binding agreement for the sale by Cline to Allegiance of all the shares of NECC with respect to, among other things, the structure of the consideration payable by Allegiance, and subsequently announced that completion of the transaction was estimated to take place before the end of October 2020.

On June 19, 2020, the Corporation together with Sierra Crest Investment Management LLC (“**SCIM**”), an affiliate of BC Partners, announced that they had entered into a definitive agreement (the “**CIF Purchase Agreement**”), subject to certain approvals, in connection with the acquisition by SCIM of certain assets from Resource America, Inc. (the “**CIF Seller**”) and for SCIM to become the investment adviser of the Alternative Credit Income Fund (formerly, Resource Credit Income Fund, “**CIF**”) pursuant to a new advisory agreement (the “**CIF Advisory Agreement**”) to be entered into between SCIM and CIF (collectively, the “**SCIM Transaction**”). CIF is a U.S.-based, continuously offered, closed-end interval fund that invests across credit markets including direct credit, private credit, and public credit. As part of the transaction, the Corporation agreed to, among other things, guarantee the payment of all financial obligations of SCIM under the CIF Purchase Agreement, including the payment of the purchase price to the CIF Seller. In connection with the SCIM Transaction, the Corporation and SCIM entered into an indicative term sheet pursuant to which, among other things, the Corporation agreed to advance to SCIM by way of a secured loan the amount of \$13.0 to \$15.0 million to be used by SCIM to fund the \$13.0 million purchase price under the Purchase Agreement (the “**SCIM Facility**”). In addition, the Corporation and SCIM agreed to enter into a services agreement (the “**SCIM Services Agreement**”) concurrently with the closing of the SCIM Facility pursuant to which the Corporation would provide certain administrative services to SCIM.

On July 31, 2020, MLC I entered into an amendment to the Loan Facility pursuant to which, among other things, the ramp-up period of the Loan Facility was modified.

On August 7, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share payable to shareholders of record as of August 25, 2020. The dividend was designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

On August 21, 2020, ML Management entered into an asset purchase agreement (the “**CLO Agreement**”) with Garrison Investment Management LLC and other sellers (collectively, “**GARS Sellers**”) with respect to the acquisition by ML Management of the rights of the GARS Sellers under certain investment management agreements, the general partnership interests of the GARS Sellers under certain partnership agreements and the rights of the GARS Sellers under certain collateral management agreements relating to Garrison Funding 2018-1 LP (the “**2018 CLO**”) and Garrison MML CLO 2019-1 LP (the “**2019 CLO**”, and together with the 2018 CLO, the “**CLOs**”) for a purchase price of \$3.0 million (the “**GARS Transaction**”).

On October 26, 2020, Allegiance acquired all the shares of NECC held by Cline and the Corporation was advised that it was the Former Manager’s intention to direct Cline to remit the net proceeds from the transaction, less a prudent provision for any ongoing minimal Cline operating costs, to the senior bondholders (which includes the Corporation) as soon as practicable after receipt. See “Description of Capital Structure – Contingent Value Rights and CVRs” for additional information.

On October 27, 2020, the Corporation entered into any agency agreement (the “**Agency Agreement**”) with Canaccord Genuity Corp., ATB Capital Markets Inc. and Stifel Nicolaus Canada Inc. (collectively, the “**Agents**”) providing for the private placement issuance of up to 7,272,727 common shares of the Corporation at a purchase price of CAD\$2.75 per share for aggregate gross proceeds of up to CAD\$20.0 million (the “**Offering**”). On October 27, 2020, the Corporation completed the first tranche of the Offering and issued 6,108,199 common shares of the Corporation for gross proceeds of approximately CAD\$16.8 million. Pursuant to the Agency Agreement, the Agents received a cash commission equal to 6% of the gross proceeds of the Offering, subject to a reduced fee in respect of proceeds raised directly by the Corporation from certain subscribers as agreed to between the Corporation and the Agents.

On October 30, 2020, the SCIM Transaction closed and SCIM purchased certain assets from the CIF Seller and became the investment adviser of CIF pursuant to the CIF Advisory Agreement. Pursuant to the CIF Advisory Agreement, SCIM will receive an annual base management fee equal to 1.85% of CIF’s average daily net assets and a quarterly income incentive fee. The CIF Advisory Agreement is renewable annually following an initial two-year term, which renewal must be approved by (a) a majority of the outstanding voting securities of CIF or by vote of CIF’s Board of Trustees; and (b) by vote of a majority of non-interested Trustees. In connection with the closing of the SCIM Transaction, the Corporation entered into the agreements described below whereby the Corporation will receive the net economic benefits derived under the CIF Advisory Agreement. Upon closing, the Corporation advanced approximately \$12.0 million to SCIM pursuant to the SCIM Facility and may advance up to an additional \$3.0 million, for an aggregate principal amount not to exceed \$15.0 million. The SCIM Facility is secured by the rights, management fees, performances fees, and other compensation associated with the CIF Advisory Agreement. In addition, the Corporation entered into the SCIM Services Agreement, pursuant to which the Corporation will provide certain administrative services to SCIM in respect of CIF. Under the SCIM Services Agreement, in exchange for the administrative services relating to CIF, SCIM will pay to the Corporation, on a quarterly basis, an amount equal to the aggregate base management and incentive fees received by SCIM from CIF under the CIF Advisory Agreement in respect of such quarter, net of debt service, a quarterly fee to be retained by SCIM comprised of a specified amount, plus an allocable portion of the compensation of SCIM’s investment professionals in connection with their performance of investment advisory services for CIF. In addition, SCIM will be reimbursed by the Corporation quarterly for certain expenses it incurs in connection with the investment advisory services provided pursuant to the CIF Advisory Agreement.

On November 6, 2020, the U.S. Securities and Exchange Commission declared ML Management’s registration as an investment adviser to be effective.

On November 10, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share payable to shareholders of record as of November 23, 2020. The dividend was designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

On November 12, 2020, ML Management completed the GARS Transaction pursuant to the CLO Agreement and ML Management became the investment manager of the CLOs. As the investment manager of the CLOs, ML Management is entitled to receive an annual management fee of 0.50%-0.60% of aggregate gross assets, paid quarterly, and subject to reductions based on caps, transaction fees, and fee-sharing arrangements.

On November 25, 2020, the Corporation completed the second and final tranche of the Offering and issued an additional 250,182 common shares for additional gross proceeds of CAD\$0.7 million. In total, the Corporation issued 6,358,381 common shares pursuant to the Offering for gross proceeds of CAD\$17.5 million.

On December 9, 2020, the Corporation formed MLC US Holdings LLC as a direct wholly-owned subsidiary. As part of an internal restructuring, the Corporation contributed all of the issued and outstanding membership interest of ML Management, a wholly-owned subsidiary of the Corporation, and of its newly formed subsidiaries MLCSC Holdings Finance LLC and MLCSC Holdings LLC, as well as the SCIM Facility and the SCIM Services Agreement, to MLC US Holdings LLC.

On December 17, 2020, the Corporation completed the acquisition of a 21.4% equity stake in SCIM from an arms-length third party for a purchase price of \$7.0 million, funded by a combination of newly incurred debt and a deferred cash consideration. In connection with the acquisition, MLCSC Holdings Finance LLC entered into a credit facility of \$5.3 million, which bears interest at a rate of 9.5% per annum and is guaranteed by the Corporation.

Subsequent to December 31, 2020, the Corporation divested a substantial portion of its loan portfolio above its then most recently disclosed aggregate fair market value. The Corporation sold its entire ownership interest of the First Lien Term Loans of Arcline FM Holdings LLC, SW Ingredients Holdings, LLC, TCP Sunbelt Acquisition Co., Welcome Dairy, LLC, and Wesco Group, LLC at a weighted average price of 98.04% of face value for aggregate cash proceeds of approximately \$15.9 million.

On February 4, 2021, the outstanding amount under the Loan Facility was repaid in full and terminated.

On February 24, 2021, the Company received \$0.5 million from the Former Manager in connection with the sale of Cline. The distribution by the Company of any proceeds received from the Cline transaction will be made in accordance with the terms of the indenture governing the CVRs.

On March 22, 2021, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per post-Consolidation common share payable to shareholders of record as of March 31, 2021. The dividend was designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

### **Description of the Business**

The Corporation is an alternative asset management company that is focused on investing in public and private debt securities in the North American market. The Corporation seeks to source and actively manage loans and other debt-like securities with credit-oriented characteristics. The Corporation actively sources, evaluates, underwrites, monitors and primarily invests in loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle. See “Investment Objective and Strategy” for additional information.

The Corporation applies rigorous and deep due diligence to the credit opportunities it assesses. Priorities include: establishing downside protection and principal preservation through financial and structural protections; seeking to generate attractive returns utilizing the skill and experience of management; and leveraging the expertise and network of management.

The origination, negotiation and documentation of highly structured investments by management of the Corporation permits the construction of a diversified portfolio of investments through the use of flexible and innovative loan strategies.

While focused on senior secured middle-market credit, depending on market conditions, the Corporation may evaluate employing a variety of credit investing strategies as part of its investment program. These could include: leveraged yield strategies; private and mezzanine lending and structured equity; dislocated structured credit/regulatory capital investments; and other credit-oriented investments. Further information below:

- Leveraged Yield Strategies:
  - Low leveraged bank loan funds: employing various strategies to invest in primarily secured bank loans with low loan-to-value metrics and selective and prudent financing at the asset level. This is a strategy typically employed during periods of market or sector dislocation or when an individual company’s loans do not reflect true fundamental value.
  - Synthetic baskets: investments in par or near-par performing bank loans via total return swaps or similar financing structures.

- Private and Mezzanine Lending and Structured Equity:
  - Private and mezzanine lending: providing creative financing solutions to borrowers with custom documentation. Borrowers in the middle-market seek resourceful financing partners that have industry expertise, can provide certainty of execution, and can transact on an expedited timeline.
  - Structured equity: investing in minority structured convertible preferred equity with significant downside protection through company selection and robust negative controls.
- Dislocated Structured Credit/Regulatory Capital:
  - Primary and secondary structured products: opportunistic investments in non-traditional credit instruments with varying counterparty credit risk.
  - Regulatory capital relief: structured financing solutions to mitigate regulatory capital constraints for borrowers. Rising regulatory capital requirements for financial institutions create an opportunity for non-traditional capital providers to structure capital solution programs aimed at mitigating banks' risk of near-term capital losses in return for insurance-like payments on first loss pieces assumed by financial investors.

Investments are made and are expected to be made primarily in developed markets with a focus on North America, although the Corporation may invest in markets outside of North America if the Corporation identifies investment opportunities that offer particular value.

During fiscal 2020, the Corporation continued expansion of its focus from a lending-oriented credit platform to an alternative asset management platform and, through its subsidiaries, acquired certain investment management contracts and/or economic benefit thereof in order to grow a stream of asset management fee income for the Corporation.

#### *Investment Objective and Strategy*

The Corporation's investment objective is to achieve income and potential capital gains, with an attractive risk adjusted return, low volatility, with low risk of principal impairment through the credit cycle.

In order to achieve its investment objective, the Corporation invests primarily in public and private debt securities (including bridge and mezzanine debt) to issuers across a broad range of industries. The Corporation has invested, and may continue to invest, in, and may sell short, corporate debt (both investment grade and non-investment grade), bank loans and commitments, debt with equity warrants attached to the debt, structured equity, structured credit, and convertible debt. The debt securities in which the Corporation invests may be unrated. The Corporation may also purchase, and may sell short, common shares, preferred shares, futures, various over-the counter credit and/or index derivatives and other securities in accordance with the investment objective and restrictions set forth in the Corporation's investment policy as described herein.

The Corporation has invested, and intends to continue to invest, primarily in developed market with a primary focus on North American securities and credit instruments. However, the Corporation may invest in markets outside of North America if the Corporation identifies investment opportunities that offer particular value. The Corporation may also invest in government debt securities. The Corporation may invest across all market capitalization sizes, including small and medium-sized business entities. The Corporation may make use of leverage by purchasing securities on margin or investing borrowed cash.

From time to time, the Corporation may invest a portion of its assets in money market funds, debt securities of the Canadian government, provincial governments, the United States government or other cash equivalents. In addition, during periods in which the Corporation believes that acceptable investments are not available, or under unusual market conditions, a substantial portion or all of the Corporation's assets may be temporarily invested in such securities.

The Board of Directors reserves the right to revisit and amend the Corporation's investment policy as market conditions warrant.

#### *Investment Restrictions*

The Corporation conducts its activities within the general parameters of its investment objective and strategy but subject to certain specific restrictions. In pursuing its investment strategy, the Corporation generally aims to adhere to the following investment restrictions:

- Diversification: The net amount invested by the Corporation in the investments of any one issuer (on a look through basis) will not exceed 20% of the portfolio of the Corporation, as determined at the time of such investment other than securities issued or guaranteed by the Government of Canada, the Government of the United States or a province, state or territory thereof.
- Foreign Exposure: The net amount invested by the Corporation in securities outside of Canada and the United States will not exceed 50% of the net asset value of the Corporation, as determined at the time of such investment.
- Liquidity: The nature of the Corporation's business allows for investments in public and private securities, and there are no specific restrictions on the liquidity of the assets in which the Corporation may invest. However, management of the Corporation will seek to ensure that the Corporation's investment portfolio has sufficient liquidity to satisfy any borrowing obligations, to manage the dividend policy, if any, adopted by the Board of Directors from time to time and any share buy-back arrangements.
- Hedging: The Corporation may use derivatives to hedge credit risk, its exposure to changes in interest rates and currency fluctuations and to gain exposure to individual securities and markets instead of directly buying the securities. The Corporation may use treasury futures and/or government bonds to hedge against changes in interest rates. The Corporation may use credit default swaps and credit default indices to hedge credit risk.

## Portfolio Investments

As of December 31, 2020, the holdings of the Corporation consisted of the assets described in the table below:

Company <sup>(6)</sup>	Investment	Spread Above Index <sup>(1)</sup>	Interest	Maturity Date	Currency	Par / Shares	Cost	Carrying Value	
<b>Debt investments</b>									
<b>Loans</b>									
<b>Consumer</b>									
League Collegiate Holdings, LLC	Senior Secured Loan	3M L+500 plus 1.25% PIK	7.25%	5/1/2024	USD	4,888	4,859	4,414	
Total consumer								4,859	4,414
<b>Financials</b>									
Alera Group Intermediate Holdings, Inc.	Senior Secured Loan	1M L+400	4.50%	8/1/2025	USD	3,920	3,934	3,910	
Asurion, LLC	Senior Secured Loan	1M L+325	3.40%	12/23/2026	USD	1,000	988	991	
Sierra Crest Management LLC <sup>(7)(8)</sup>	Promissory Note	NA	8.00%	10/30/2040	USD	12,504	12,504	12,504	
Total financials								17,426	17,405
<b>Health Care</b>									
Radiology Partners, Inc <sup>(10)</sup>	Senior Secured Loan	L+425	4.81%	7/9/2025	USD	4,000	3,884	3,943	
The PromptCare Companies Inc.	Senior Secured Loan	1M L+525	6.25%	12/30/2025	USD	2,322	2,302	2,305	
The PromptCare Companies Inc.	Senior Secured Loan	1M L+525	6.25%	12/30/2025	USD	324	321	322	
The PromptCare Companies Inc. <sup>(3)(4)(5)</sup>	Senior Secured Loan	NA	1.00%	12/30/2025	USD	327	(1)	(3)	
Total healthcare								6,506	6,567
<b>Industrials</b>									
Mileage Plus Holdings LLC	Senior Secured Loan	3M L+525	6.25%	6/21/2027	USD	1,000	981	1,044	
Total industrials								981	1,044
<b>Information technology</b>									
Idera, Inc.	Senior Secured Loan	6M L+400	5.00%	6/28/2024	USD	3,053	3,042	2,974	
Monotype Imaging Holdings Inc.	Senior Secured Loan	3M L+550	6.50%	10/9/2026	USD	1,963	1,861	1,861	
Total information technology								4,903	4,835
<b>Total loans</b>								<b>34,675</b>	<b>34,265</b>
<b>Bonds</b>									
Cline Mining Corporation <sup>(7)</sup>				7/8/2022	CAD	8,304	6,523	3,954	
<b>Total bonds</b>								<b>6,523</b>	<b>3,954</b>
<b>Total debt investments</b>								<b>41,198</b>	<b>38,219</b>
<b>Equity investments</b>									
Sierra Crest Management LLC <sup>(7)(9)</sup>					USD	2,797	7,000	7,000	
Cline Mining Corporation <sup>(7)</sup>					CAD	2,075,595	419	—	
<b>Total equity investments</b>								<b>7,419</b>	<b>7,000</b>
<b>Total investments</b>								<b>\$ 48,617</b>	<b>\$ 45,219</b>

- The majority of the investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate ("LIBOR" or "L"), which resets monthly, quarterly, semiannually or annually. For each such investment, the Company has provided the spread over LIBOR and the current contractual interest rate in effect at December 31, 2020. Certain investments may be subject to an interest rate floor.
- Other than the investments noted by this footnote, the fair value of the Company's investments is determined using unobservable inputs that are significant to the overall fair value measurement.
- Position is an unfunded loan commitment. See Note 14 "Commitments and Contingencies".
- The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value is the result of the capitalized discount on the loan.
- The maturity date represents the commitment period of the unfunded term loan.
- Unless otherwise indicated, the Company's portfolio companies are pledged as collateral to secure Great Lakes Senior MLC I LLC's debt obligation outstanding under the Revolving Senior Loan Facility. See note 11 "Debt".
- Investment is not pledged as collateral for the Revolving Senior Loan Facility.
- Investment measured using amortized cost.
- Investment measured using the equity method.
- The senior secured loan is comprised of two components: \$1,846,451 at 12M L+425 and \$2,153,549 at 1M L+425. Interest rate disclosed reflects the blended rate of the contracts.

## Competitive Conditions

A large number of entities compete with the Corporation to make the types of investments that the Corporation makes in debt instruments. The Corporation competes with public and private funds, commercial and investment banks, merchant banks, commercial financing companies, institutional investors, strategic investors and, to the extent they provide an alternative form of financing, private equity funds. Many of these groups are substantially larger and have considerably greater financial, technical and marketing resources than the Corporation. See "Risk Factors".

*Employees*

The Corporation's day-to-day investment operations are conducted by its four (4) executive officers. Each of the executive officers dedicates sufficient time and resources to manage the Corporation.

*Foreign Operations*

The Corporation's wholly-owned subsidiary, MLC I, a limited liability company formed under the laws of the State of Delaware, is a U.S. entity that owns a majority of the investment portfolio holdings. The Corporation's wholly-owned subsidiary, MLC US Holdings LLC, a limited liability company formed under the laws of the State of Delaware, is a U.S. entity that holds the Corporation's investments in ML Management and MLCSC Holdings Finance LLC and the interest in the SCIM Facility and the SCIM Services Agreement. The Corporation's indirect wholly-owned subsidiary, ML Management, is a limited liability company formed under the laws of the State of Delaware that has entered into the monitoring agreement pursuant to which, among other things, ML Management receives a fee for providing monitoring services in respect of certain investments managed by BC Partners. ML Management also acquired the assets sold by the GARS Sellers pursuant to the GARS Transaction. The Corporation's indirect wholly-owned subsidiary, MLCSC Holdings Finance LLC, is a limited liability company formed under the laws of the State of Delaware that holds the Corporation's interest in MLCSC Holdings LLC and entered into a credit facility of \$5.3 million in connection with the Corporation's indirect acquisition of a 21.4% equity stake in SCIM. The Corporation's indirect wholly-owned subsidiary, MLCSC Holdings LLC, is a limited liability company formed under the laws of the State of Delaware that holds a 21.4% equity stake in SCIM. There are currently no other operations in any other foreign jurisdictions other than specified above.

*Reorganizations*

During the 2018 fiscal year, the Corporation completed the Arrangement as described above.

## **DESCRIPTION OF CAPITAL STRUCTURE**

**Share Capital**

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of Preference Shares, issuable in series, of which there were 16,963,379 common shares and no Preference Shares outstanding as of December 31, 2020. As of the date of this Annual Information form, there are 16,963,379 common shares and no Preference Shares outstanding.

*Common Shares*

Each of the Corporation's common shares entitles the holder to: (a) receive dividends, if, as and when declared by the Board of Directors, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of the Corporation ranking in priority to the common shares in respect of dividends; (b) receive notice of and to attend all annual and special meetings of the shareholders and to receive two (2) votes in respect of each common share held at all such meetings; and (c) in the event of liquidation, dissolution or winding up, or other distribution of the assets among shareholders for the purpose of winding up the Corporation's affairs, subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the common shares in respect of return of capital on dissolution, to share ratably, together with the holders of any other class of shares of the Corporation ranking equally with the common shares in respect of return of capital on dissolution, in such assets of the Corporation as are available for distribution.

*Preference Shares*

Preference Shares may be issued at any time and from time to time in one or more series. Subject to the rights, privileges, restrictions and conditions attached to the Preference Shares as a class, the articles of the Corporation and the provisions of the OBCA, the Board of Directors will, prior to the issue of Preference Shares of any series, by

resolution fix the number of Preference Shares in such series and determine the designation of, and the rights, privileges, restrictions and conditions attached to, the Preference Shares of such series.

Except as required by the OBCA or in accordance with any voting rights which may be attached to any series of Preference Shares, the holders of Preference Shares are not entitled to receive notice of, or to attend, any meeting of the shareholders of the Corporation and are not entitled to vote at any such meeting provided that the holders of Preference Shares are entitled to receive notice of meetings of the shareholders of the Corporation called for the purpose of authorizing the sale, lease or exchange of all or substantially all of the property of the Corporation other than in the ordinary course of business of the Corporation. Subject to the provisions of the OBCA, the holders of Preference Shares or any series thereof are not, unless the rights, privileges, restrictions and conditions attached to the Preference Shares as a class or to any particular series thereof provide to the contrary, entitled to vote separately as a class or series on, or to dissent in respect of, any proposal to amend the articles of the Corporation to: (a) increase or decrease any maximum number of authorized Preference Shares or any series thereof, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the Preference Shares or any series thereof; (b) effect an exchange, reclassification or cancellation of all or part of the Preference Shares or any series thereof; or (c) create a new class or series of shares equal or superior to the Preference Shares or any series thereof.

With respect to the payment of dividends and the distribution of the property and assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation, the Preference Shares of each series, rank (a) *pari passu* with the Preference Shares of every other series and the shares of any other class of shares of the Corporation ranking equally with the Preference Shares, (b) senior to the common shares and the shares of any other class of shares of the Corporation ranking junior to the Preference Shares, and (c) junior to the shares of any class of shares of the Corporation ranking senior to the Preference Shares. The Preference Shares of any series are also entitled to such other preferences, not inconsistent with the articles of the Corporation, over the common shares and the shares of any other class of shares of the Corporation ranking junior to the Preference Shares as may be fixed by the Board of Directors prior to the issue thereof.

The rights, privileges, restrictions and conditions attached to the Preference Shares as a class may be added to, changed or removed only with the approval of the holders of Preference Shares given in accordance with the requirements of the OBCA and the articles of the Corporation.

## **Warrants**

On closing of the Arrangement and in accordance with the terms of the Arrangement, the Corporation issued to shareholders who made an election to acquire warrants under the Arrangement, warrants to acquire an aggregate of 20,468,128 common shares of the Corporation (the “**Warrants**”). As at December 31, 2020, the Corporation had 20,468,128 Warrants outstanding which are exercisable at any time up to October 19, 2025. As a result of the Consolidation completed on December 3, 2019, every eight (8) Warrants entitle the holder to receive, upon exercise, one common share of the Corporation at a price of CAD\$6.16 per common share. Accordingly, an aggregate of up to 2,558,516 common shares are issuable upon the exercise of the 20,468,128 outstanding Warrants as at December 31, 2020.

## **Options and Awards**

The Corporation has in place a stock option plan (the “**Option Plan**”) and a performance and restricted share unit plan (the “**PR Plan**”). There were no options or awards outstanding under either the Option Plan or the PR Plan as at December 31, 2020.

## **Contingent Value Rights or CVRs**

On closing of the Arrangement and in accordance with the terms of the Arrangement, the Corporation issued to its shareholders an aggregate of 17,288,140 CVRs. As part of the Arrangement, each shareholder of the Corporation (other than U.S. Shareholders) received one (1) CVR in respect of Cline for each common share held as of the record date for the determination of shareholders entitled to receive CVRs. Pursuant to the indenture governing the terms of

the CVRs, the Corporation will seek to dispose of Cline for the five (5) year period following the closing of the Arrangement and will distribute to the holders of CVRs: (a) distributions received from Cline; and (b) the net proceeds from the sale of the Corporation's holdings in Cline (each, a "**Contingent Payment Event**"). The Corporation has made certain covenants in connection with the CVRs including that the Corporation will use commercially reasonable efforts to dispose of, in one or more transactions, all of the debt and equity securities and instruments of Cline which the Corporation held at the closing of the Arrangement, and any other securities and instruments exchanged, exercised or converted therefore, in a manner the Board of Directors reasonably believes is likely to maximize the aggregate payment per CVR.

On October 26, 2020, Allegiance acquired all the shares of NECC held by Cline and the Corporation was advised that it was the Former Manager's intention to direct Cline to remit the net proceeds from the transaction, less a prudent provision for any ongoing minimal Cline operating costs, to the senior bondholders (which includes the Corporation) as soon as practicable after receipt. The distribution by the Corporation of any proceeds received from the Cline transaction will be made in accordance with the terms of the indenture governing the CVRs.

## **DIVIDENDS AND DISTRIBUTIONS**

### **Dividend Policy**

The payment of any cash dividend to shareholders of the Corporation in the future will be at the discretion of the Board of Directors and will depend on, among other things, the financial condition, capital requirements and earnings of the Corporation, and any other factors that the Board of Directors may consider relevant. See "Risk Factors".

The OBCA provides that a corporation may not declare or pay a dividend if there are reasonable grounds for believing that the corporation is, or would be after the payment of the dividend, unable to pay its liabilities as they become due or the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares of its capital. Furthermore, holders of common shares may be subject to the prior dividend rights of holders of the Preference Shares, if any, then outstanding.

### **Dividends and Distributions**

During the year ended December 31, 2018, the Corporation did not declare or pay any dividends or make any distributions on the common shares of the Corporation. On December 4, 2019, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share that was paid to shareholders of record as of December 13, 2019. On March 25, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share that was paid to shareholders of record as of April 14, 2020. On May 11, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share that was paid to shareholders of record as of May 21, 2020. On August 7, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share that was paid to shareholders of record as of August 25, 2020. On November 10, 2020, the Corporation announced the declaration of a cash dividend in the amount of CAD\$0.02 per common share that was paid to shareholders of record as of November 23, 2020. The dividends were designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

## **MARKET FOR SECURITIES**

The common shares of the Corporation are listed and posted for trading on the NEO Exchange under the symbol "MLC".

### **Trading Price and Volume**

The following table sets out the aggregate volumes of trading and the price ranges (including intraday prices) of the common shares on the NEO Exchange for the period beginning on January 1, 2020 and ending on December 31, 2020.

<b>Period</b>	<b>High (CAD\$)</b>	<b>Low (CAD\$)</b>	<b>Volume<sup>(1)</sup></b>
January 2020 .....	3.80	3.29	8,765
February 2020 .....	3.90	3.65	4,842
March 2020 .....	3.50	3.65	561,924
April 2020 .....	3.00	2.81	24,952
May 2020 .....	3.50	3.05	3,138
June 2020 .....	3.60	3.30	9,214
July 2020 .....	3.30	3.15	5,219
August 2020 .....	3.15	3.00	6,517
September 2020.....	3.10	2.90	1,786
October 2020.....	2.95	2.50	10,458
November 2020.....	3.00	2.80	9,735
December 2020 .....	3.20	2.60	205,100

Note:

(1) Source: Bloomberg

### Prior Sales

On closing of the Arrangement on October 19, 2018 and in accordance with the terms of the Arrangement, the Corporation issued an aggregate of 20,468,128 Warrants and an aggregate of 17,288,140 CVRs. Neither the Warrants nor the CVRs are listed or quoted on a marketplace. See “Description of Capital Structure” for additional details.

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

The following table summarizes details of the Corporation’s securities of each class held, to the Corporation’s knowledge, in escrow or that are subject to a contractual restriction on transfer as of December 31, 2020.

<b>Designation of Class</b>	<b>Number of securities held in escrow or that are subject to a contractual restriction on transfer</b>	<b>Percentage of class</b>
Common shares	149,350 <sup>(1)</sup>	0.88% <sup>(2)</sup>

Notes:

- (1) In connection with the Arrangement and the offering of the Subscription Receipts, certain significant security holders of the Corporation and certain former and current officers and directors of the Corporation entered into lock-up agreements in respect of their securities of the Corporation with the Corporation and GMP Securities L.P., the lead agent in respect of the offering of the Subscription Receipts (collectively, the “**Lock-Up Agreements**”). Pursuant to the Lock-Up Agreements, holders of an aggregate of 149,350 common shares as of December 31, 2020 agreed not to directly or indirectly sell, transfer, or otherwise dispose of or deal with any securities of the Corporation held by them until the date that is thirty-six months after the closing of the Arrangement on October 19, 2018.
- (2) Based on 16,963,379 common shares of the Corporation issued and outstanding as at December 31, 2020.

### DIRECTORS AND OFFICERS

#### Directors and Officers

The following table sets forth, for each of the directors and executive officers of the Corporation as of the date hereof, the person’s name, jurisdiction of residence, position and office held with the Corporation, principal occupation during the last five years and, if a director, the period or periods during which the person has served as a director of the Corporation. Each of the directors of the Corporation will hold office until the close of the next annual meeting of the shareholders of the Corporation unless his or her office is earlier vacated in accordance with the by-laws of the Corporation. As at March 21, 2020, the current directors and executive officers of the Corporation, as a group, beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of 778,506 common shares of the Corporation, representing approximately 4.59% of the then outstanding common shares.

<b>Name and Jurisdiction of Residence</b>	<b>Position</b>	<b>Principal Occupation</b>	<b>Director Since</b>
Edward Goldthorpe New York, USA	Director, Chief Executive Officer	Partner in charge of the Global Credit Business for BC Partners since February 2017. Prior to that, President and Chief Investment Officer of Apollo Investment Corporation.	October 19, 2018
Graeme Dell <sup>(1)</sup> London, UK	Director	Partner and COO at BC Partners since 2014. Prior to that, Group Finance Director at Ashmore Group plc (asset management firm).	October 19, 2018
Perry Dellelce <sup>(2)(3)</sup> Ontario, Canada	Director	Managing Partner of Wildeboer Dellelce LLP.	October 19, 2018
Sabrina Liak <sup>(1)(2)(3)</sup> British Columbia, Canada	Lead Director	Co-founder and Chief Financial Officer of KITS.com an online eyecare company, Managing Partner of ALOI Investment Management (investment and advisory firm) since 2016. Prior to that, Managing Director and Portfolio Manager at Goldman Sachs – New York.	October 19, 2018
Radford Small <sup>(1)(2)(3)</sup> California, USA	Director	Principal at Lightspeed Capital (investment firm) since 2018. Prior to that, Vice President at Tesla from 2016-2018. Prior to that, CFO at Solar City (which was acquired by Tesla) in 2016. Prior to that, Managing Director at Goldman Sachs – San Francisco.	October 19, 2018
Jason Roos <sup>(4)</sup> New York, USA	Chief Financial Officer, Corporate Secretary	Chief Financial Officer of Portman Ridge Finance Corp. and BC Partners Lending Corporation since March 2021. Credit Product Controller at BC Partners LLC since May 2020. Prior to that, Controller, Data Quality Leader of Wells Fargo & Company from 2014 to 2020.	N/A
Matthias Ederer New York, USA	Co-President	Managing Director at BC Partners Credit since February 2017. Prior to that, Partner at Wingspan Investment Management since 2013.	N/A
Henry Wang New York, USA	Co-President	Managing Director at BC Partners Credit since February 2017. Prior to that, Partner at Stonerise Capital Partners since 2011.	N/A

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Nominating Committee.
- (3) Member of the Compensation Committee.
- (4) Mr. Roos was appointed Chief Financial Officer and Corporate Secretary of the Corporation subsequent to December 31, 2020.

#### **Cease Trade Orders, Bankruptcies, Penalties and Sanctions**

To the best of the knowledge of the Corporation, no director or executive officer of the Corporation is, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief

financial officer of any company (including the Corporation), that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

To the best of the knowledge of the Corporation, no director or executive officer of the Corporation or, to the knowledge of the Corporation, shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as at the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the best of the knowledge of the Corporation, no director or executive officer of the Corporation or, to the knowledge of the Corporation, shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Audit Committee**

Under National Instrument 52-110 *Audit Committees* (“**NI 52-110**”), the Corporation is required to include in this Annual Information Form the disclosure required under Form 52-110F1 with respect to the audit committee of the Board of Directors (the “**Audit Committee**”), including the composition of the Audit Committee, the text of the Audit Committee charter (attached to this Annual Information Form as Appendix A), and the fees paid to the Corporation’s external auditor.

#### *Composition of the Audit Committee*

The members of the Audit Committee are Mr. Dell (Chair), Ms. Liak, and Mr. Small. All of the members of the Audit Committee are considered to be independent of the Corporation and financially literate for the purposes of NI 52-110.

#### *Relevant Education and Experience*

In addition to each member’s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an audit committee member is set forth below.

*Graeme Dell:* Mr. Dell has been a qualified accountant since 1992 with the Institute of Chartered Accountants of England & Wales. All professional roles undertaken thereafter have utilized this qualification. He has served in senior financial roles in several companies. Mr. Dell holds a degree in engineering, economics, and management from Oxford University and is an FCA.

*Sabrina Liak:* Ms. Liak has been qualified as a Chartered Financial Analyst since 2004. She worked as a financial analyst and portfolio manager at Goldman Sachs from 2001-2015. In addition, she has served on the audit

committees of two private companies. Ms. Liak holds an HBA from the Richard Ivey School of Business at the University of Western Ontario.

*Radford Small:* Mr. Small has served in senior management roles in the investment banking and technology industries, most recently as Vice President at Tesla and prior to that as CFO of Solar City. Earlier in his career, he served as a tax attorney. Mr. Small holds a LLM in Tax from the New York University School of Law, a JD from Loyola Law School, and a Bachelor of Arts in Economics from the University of California, Berkeley.

#### *Reliance on Exemptions*

The Corporation did not rely on any exemptions from the provisions of NI 52-110 during the year ended December 31, 2020.

#### *Audit Committee Oversight*

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

#### *Pre-Approval Policies and Procedures*

The Audit Committee charter set out at Appendix A attached hereto provides that the Audit Committee shall review and pre-approve all non-audit services to be provided by the Corporation's external auditors.

#### *External Auditor Service Fees (By Category)*

The following table presents fees for professional services rendered by KPMG LLP, the external auditor of the Corporation, for the fiscal years ended December 31, 2020 and 2019:

<u>Year Ending</u>	<u>Audit Fees<sup>(1)</sup></u>	<u>Audit Related Fees<sup>(2)</sup></u>	<u>Tax Fees<sup>(3)</sup></u>	<u>All Other Fees<sup>(4)</sup></u>
December 31, 2020	CAD\$258,380	CAD\$864	Nil	Nil
December 31, 2019	CAD\$172,438	CAD\$82,133	Nil	CAD\$97,695

Notes:

- (1) Represents fees billed by the Corporation's external auditor for audit fees.
- (2) Represents aggregated fees billed for assurance and related services by the Corporation's external auditor that relate to the performance of limited review procedures in connection with the Corporation's interim financial statements and are not reported under "Audit Fees".
- (3) Represents aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance and tax consultation and advisory.
- (4) Represents aggregate fees billed for products and services provided by the Corporation's external auditor, other than the services reported under "Audit Fees", "Audit Related Fees" and "Tax Fees".

#### **Conflicts of Interest**

The Board of Directors supervises the management of the business and affairs of the Corporation in accordance with the provisions of the OBCA. The directors and officers of the Corporation will in all cases be required by law to act honestly and in good faith with a view to the best interest of the Corporation. A director or officer of the Corporation who is a party to a material contract or transaction or proposed material contract or transaction with the Corporation or who is a director or an officer of, or has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Corporation is required to disclose in

writing to the Corporation or request to have entered in the minutes of meetings of directors the nature and extent of his interest. A director who is in conflict may not attend any part of a meeting of directors during which the contract or transaction is discussed and may not vote on any resolution to approve the contract or transaction except in the limited circumstances permitted by the OBCA.

Certain of the Corporation's directors and officers serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business (notably BC Partners) as the Corporation does, or of investment funds managed by the same personnel. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the Corporation's best interests or in the best interest of its stakeholders. The Corporation's investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. Certain of the Corporation's directors, officers and employees and certain of the Corporation's affiliates will have conflicts of interest in allocating their time between the Corporation and other activities in which they are or may become involved, including the management of BC Partners' affiliated funds. Directors and officers of the Corporation with conflicts of interest will be subject to and required to comply with the procedures set out in the OBCA and other applicable legislation, regulations, rules and policies.

## **RISK FACTORS**

An investment in the securities of the Corporation is subject to various risks and uncertainties, including those set out below, under the heading "Forward-Looking Information" and elsewhere in this Annual Information Form. Such risks and uncertainties should be carefully considered by an investor before making any investment decision. If any of the possibilities described in such risks actually occurs, the Corporation's business, financial condition and operating results could be materially adversely affected. Investors should carefully consider the risks and uncertainties described below as well as the other information contained in this Annual Information Form. The risks and uncertainties described below are not the only ones the Corporation may face. The following risks, together with additional risks and uncertainties not currently known to the Corporation or that the Corporation may deem immaterial, could impair the Corporation's business, financial condition and results of operations. The market price of the securities of the Corporation could decline if one or more of these risks and uncertainties develop into actual events, and investors may lose all or part of their investment.

### ***Dependence upon key management***

The Corporation depends on the business and technical expertise of its Board of Directors and its key personnel. There is little possibility that this dependence will decrease in the near term. As the Corporation's operations expand, additional general management resources will be required. The Corporation, through the Board of Directors, may not be able to attract and retain additional qualified personnel and this would have a negative effect on the Corporation's operations.

### ***Limited operating history for the Corporation's new current strategy***

Following the completion of the Arrangement, the Corporation changed its investment strategy from a focus on natural resource lending to a broader lending-oriented credit platform with an increasing focus on the alternative asset management business. Prior to the Arrangement, the Corporation did not have any record of operating under an investment strategy with a focus on a broader lending-oriented credit platform or as an asset management and investment firm. As such, the Corporation is subject to all of the business risks and uncertainties associated with the broadening of its business, including the risk that the Corporation will not achieve its financial objectives as estimated by its management. Furthermore, past successes of the Board of Directors in other ventures do not guarantee future successes.

### ***No assurance of profitability***

There is no assurance that the Corporation will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Corporation's operations. If the Corporation does not have sufficient capital to fund its operations, it may be required to reduce its operations accordingly.

***Risks of fluctuations in the value of the Corporation and the common shares***

The net asset value and market value of the common shares will fluctuate with changes in the market value of the Corporation's investments and fluctuations in currency exchange rates. Such changes in value may occur as the result of various factors, including general economic and market conditions, the performance of companies who have borrowed from the Corporation and changes in interest rates which may affect the value of interest-bearing securities owned by the Corporation. An investment in the Corporation is speculative and may result in the loss of a substantial portion of a shareholder's investment. Only shareholders who are experienced in high risk investments and who can afford to lose a substantial portion of their investment should consider an investment in the Corporation.

***The Corporation is exposed to risks associated with changes in market rates***

The Corporation is subject to financial market risks, including changes in interest and currency exchange rates. General interest and currency exchange rate fluctuations may have a substantial negative impact on the Corporation's investments and investment opportunities and, accordingly, have a material adverse effect on its ability to achieve its investment objectives and its target rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt for the Corporation's financing needs, if any.

***No current market for Warrants***

There is currently no market through which the Warrants may be sold, and such a market may not develop and therefore, holders may not be able to resell the Warrants. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, and the liquidity of the Warrants. The Corporation does not intend to apply to list the Warrants on the NEO Exchange or any other stock exchange.

***Financing risks***

Additional funding will be required for the Corporation to acquire and source new loans and expand its alternative asset management business. There is no assurance that any such funds will be available or available on favourable terms. Failure to obtain additional financing, if required, on a timely basis, could cause the Corporation to reduce or delay its proposed operations. The primary source of funds currently available to the Corporation is derived from the issuance of equity and, until repaid in full on February 4, 2021, under the Loan Facility. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Corporation.

***Credit risks***

The assets and other debt securities in which the Corporation invests are subject to credit and liquidity risk. Any loan investment may become a defaulted obligation for a variety of reasons, including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying loan documents. A defaulted loan may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted loan. In addition, such negotiations or restructuring may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted loan. In addition, substantial costs and resources in such situations may be imposed on the Corporation, further affecting the value of the investment. The liquidity in defaulted loans may also be limited, and to the extent that defaulted loans are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon, which would adversely affect the Corporation's net asset value and consequently, the market value of the Corporation's common shares.

***Due diligence risks***

The due diligence process undertaken by the Corporation in connection with investments that it makes or wishes to make, may not reveal all relevant facts in connection with an investment. Before making investments, the Corporation will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and

circumstances applicable to each investment. When conducting due diligence investigations, the Corporation may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence investigations and making an assessment regarding an investment, the Corporation relies on resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary.

***Price declines in the medium- and large-sized corporate debt market may adversely affect the fair value of the Corporation's portfolio, reducing the net asset value through increased net unrealized depreciation***

Conditions in the medium- and large-sized corporate debt market may deteriorate, as seen during the recent financial crisis, which may cause pricing levels to similarly decline or be volatile. During the financial crisis, many institutions were forced to raise cash by selling their interests in performing assets in order to satisfy margin requirements or the equivalent of margin requirements imposed by their lenders and/or, in the case of hedge funds and other investment vehicles, to satisfy widespread redemption requests. This resulted in a forced deleveraging cycle of price declines, compulsory sales, and further price declines, with falling underlying credit values, and other constraints resulting from the credit crisis generating further selling pressure. If similar events again occurred in the medium- and large-sized corporate debt market, the Corporation's net asset value could decline through an increase in unrealized depreciation and incurrence of realized losses in connection with the sale of the Corporation's investments, which could have a material adverse impact on the Corporation's business, financial condition and results of operations.

***Financing of mid-market businesses***

The Corporation's loan portfolio consists and is expected to consist primarily of loans provided to mid-market businesses, including privately-owned companies, many of which do not publicly report their financial condition and are not subject to the same accounting rules and securities laws that govern disclosure and financial controls of public companies. Compared to larger, publicly-traded companies, loans offered to these types of businesses may carry more inherent risk. Borrowers of the Corporation may generally have limited access to capital and have higher funding costs. Such businesses may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Mid-market businesses may also have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, because many of the borrowers of the Corporation will not publicly report their financial condition and may not have sophisticated financial controls and oversight, the Corporation is more susceptible to a client's misrepresentation. The failure of a borrower to accurately report its financial position could result in the Corporation providing loans to a borrower that does not meet the Corporation's underwriting criteria, defaults on payments owing to the Corporation, the loss of some or all of the principal of a loan, or non-compliance by a borrower with applicable covenants. Accordingly, loans offered to these types of businesses involve higher risk than loans offered to larger businesses with greater financial resources or that are otherwise able to access traditional credit sources.

***Dependence on the performance of borrower clients***

The Corporation is dependent on the operations, assets and financial health of borrowers to which it directly and indirectly provides capital. If the financial performance of borrowers decline, cash payments to the Corporation will likely decline. The failure of any borrower to fulfill its payment obligations to the Corporation could adversely affect the Corporation's financial condition and cash flow.

***Risks facing borrower clients***

Each borrower client is also subject to risks which affects their financial condition. As the Corporation is not privy to all aspects of its clients' businesses, it is impossible to predict exactly what risks borrowers will face. Nonetheless, typical risks include the following: (i) the success of the Corporation's borrowers may depend on the management talents and efforts of certain key persons or a small group of persons. The death, disability or resignation

of one or more of these persons could have a material adverse effect on a borrower; (ii) borrowers may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, or is not available on beneficial terms, the financial performance and development of the businesses of the borrowers may be adversely affected; (iii) damage to the reputation of the borrowers' brands could negatively impact consumer opinion of those businesses or their related products and services, which could have an adverse effect on their business; (iv) borrowers may face competition, including competition from companies with greater financial or other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that the Corporation's borrower clients will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses; (v) borrowers may experience reduced revenues from the loss of one or more customers representing a high percentage of their revenues; (vi) borrowers may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government; (vii) borrowers may rely on government or other subsidy programs for revenue or profit generation. Changes to or elimination of such programs may have an adverse effect on the borrower; and (viii) borrowers may derive some of their revenues from foreign sources and may experience negative financial results based on foreign exchange losses, hedging costs or foreign investment restrictions.

#### ***Prepayment by borrower client***

Certain of the loans provided by the Corporation may be prepayable by the borrowers, subject to prepayment penalties. The Corporation is unable to predict if or when a borrower will make a prepayment. Typically, a borrower's decision to prepay depends on its continued positive economic performance and the existence of favourable financing market conditions that permit the borrower to replace its existing financing with less expensive capital. As market conditions change frequently, it is difficult to predict if or when a borrower may deem market and business conditions to be favourable for prepayment. Prepayment by a borrower may have the effect of reducing the achievable yield of the loan to a level below that which was anticipated by the Corporation. Such a reduction may occur when the Corporation is unable to invest the funds prepaid by the borrower in other transactions with an expected yield greater than or equal to the yield the Corporation expected to receive from the repaying borrower.

#### ***Default by and bankruptcy of a borrower client***

A borrower's failure to satisfy its borrowing obligations, including any covenants imposed by the Corporation, could lead to defaults and the termination of the borrower's loans and enforcement against its assets. In order to protect and recover its investments, the Corporation may be required to bear significant expenses (including legal, accounting, valuation and transaction expenses) to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. In certain circumstances, a borrower's default under one loan could also trigger cross-defaults under other agreements and jeopardize that borrower's ability to meet its obligations under a loan agreement it may have with the Corporation.

***Second priority liens on collateral securing debt investments that the Corporation makes to its portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and the Corporation***

Certain debt investments that the Corporation makes in portfolio companies may be secured on a second priority basis by the same collateral securing first priority debt of such companies. The first priority liens on the collateral will secure the portfolio Corporation's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the Corporation under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before the Corporation. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the debt obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the debt obligations secured by the second priority liens, then the Corporation, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the Corporation's remaining assets, if any.

The rights the Corporation may have with respect to the collateral securing the debt investments it makes to its portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that the Corporation enters into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. The Corporation may not have the ability to control or direct such actions, even if its rights are adversely affected.

### ***Collateral securing the Corporation's loans***

Where the loans provided by the Corporation are secured by a lien on specified collateral of the borrower (particularly inventory, receivables and tangible fixed assets), there is no assurance that the Corporation will have obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect the Corporation from suffering a partial or complete loss if the loan becomes non-performing and the Corporation moves to enforce against the collateral. In such event, the Corporation could suffer losses that could have a material adverse effect. In addition, during its underwriting process, the Corporation will make an estimate of the value of the collateral. A decrease in the market value of collateral assets at a rate greater than the rate projected by the Corporation may adversely affect the current realization values of such collateral. The degree of realization risk varies by the business of the borrower and the nature of the security.

### ***Control over borrower clients***

The Corporation will not always be in a position to exercise control over its borrower clients or prevent decisions by the management or shareholders of a borrower that may affect the fair value of the Corporation loan, or otherwise affect the ability of the borrower to repay its obligations to the Corporation. Furthermore, the Corporation does not intend to take significant equity positions in its borrower clients. The lack of liquidity of debt positions that the Corporation will typically hold in its borrower clients results in the risk that the Corporation may not be able to dispose of its exposure to the borrower in the instance where a borrower is underperforming. This could have a material adverse effect on the Corporation.

### ***Securities of borrower clients***

The Corporation anticipates lending to both public and private companies, which may include bonus features granting the Corporation securities of the client. The securities issued by private companies will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. To the extent the Corporation receives any form of securities issued by private companies, it may be difficult for the Corporation to dispose of such holdings if the need arises. Furthermore, if the Corporation is required to liquidate all or a portion of the securities it holds in an illiquid company, it may realize significantly less than the value at which it had previously recorded its holdings. In addition, the Corporation may face restrictions imposed by securities law on its ability to liquidate or otherwise trade in securities of a borrower client, including, where the Corporation obtains material non-public information regarding such borrower.

### ***Material non-public information***

Certain of the Corporation's directors, officers or employees, and their respective affiliates, may serve as directors of, or in a similar capacity with, its borrowers. In the event that material non-public information is obtained with respect to its borrowers, such persons may become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations. As a result, the Corporation could be prohibited for a period of time from selling the securities of a borrower, to the extent it owns any, and such a prohibition could have a material adverse effect on the Corporation.

***Illiquidity of loans***

Due to the nature of the Corporation's financing strategy and portfolio, certain loans may have lengthy terms and may be outstanding for a substantial period of time before they are repaid or can be liquidated under conditions preferable to the Corporation or, in some cases, at all. Illiquid investments carry the risk that a buyer may not be found for such investments. Also, certain of the loans expected to be offered by the Corporation may be subject to legal or contractual restrictions which may impede the Corporation's ability to dispose of such assets which it might otherwise desire to do. To the extent that there is no liquid trading market for these loans, the Corporation may be unable to liquidate these assets or may suffer a loss.

***Payment in-kind interest***

Some of the loans and debt securities made by the Corporation may contain a payment in-kind, or PIK, interest provision. Loans with a PIK provision carry additional risk as the Corporation will not receive cash until such time as the "cash payment date" is reached (unless a portion of such loan is sold). If a borrower whose loan contains a PIK provision defaults, the Corporation may obtain no return on its investment.

***Changes in strategies***

The Corporation may alter its business strategies at any time without notice to its shareholders and there is no guarantee that such changes will yield similar or improved returns, if any.

***There may be conflicts of interest related to obligations that management has to other clients***

Certain of the Corporation's directors and officers serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business (notably BC Partners) as the Corporation does, or of investment funds managed by the same personnel. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the Corporation's best interests or in the best interest of its stakeholders. The Corporation's investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. Certain of the Corporation's directors, officers and employees and certain of the Corporation's affiliates will have conflicts of interest in allocating their time between the Corporation and other activities in which they are or may become involved, including the management of BC Partners' affiliated funds. Directors and officers of the Corporation with conflicts of interest will be subject to and required to comply with the procedures set out in the OBCA and other applicable legislation, regulations, rules and policies.

***Use of leverage and changes in interest rates may affect the Corporation's cost of capital and net investment income***

Since the Corporation uses debt to finance a portion of its investments, its net investment income depends, in part, upon the difference between the rate at which it borrows funds and the rate at which it invests those funds. As a result, the Corporation can offer no assurance that a significant change in market interest rates will not have a material adverse effect on the Corporation's net investment income. In periods of rising interest rates when the Corporation has debt outstanding, the Corporation's cost of funds will increase, which could reduce its net investment income. The Corporation expects that its long-term fixed-rate investments will be financed primarily with equity and long-term debt. The Corporation may use interest rate risk management techniques in an effort to limit its exposure to interest rate fluctuations. These activities may limit the Corporation's ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The ability of the Corporation to service any future outstanding debt depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that the Corporation employs at any particular time will depend on its assessments of market and other factors at the time of any proposed borrowing. As a result of the Corporation's use of leverage: (i) the common shares of the Corporation may be exposed to incremental risk of loss and a decrease in the value of the Corporation's loan portfolio would have a greater negative impact on the value of the common shares than if the Corporation did not use leverage; (ii) adverse

changes in interest rates could reduce or eliminate the incremental income the Corporation receives from the proceeds of any leverage; (iii) the Corporation and, indirectly, its shareholders, bear the entire cost of paying interest and repaying any borrowed funds; (iv) the Corporation's ability to pay dividends on its common shares may be restricted by covenants or other restrictions imposed by its lenders; (v) the Corporation's ability to amend its organizational documents or other agreements may be restricted if such amendments would result in a material adverse effect on its lenders; and (vi) the Corporation may, under some circumstances, be required to dispose of its assets under unfavourable market conditions in order to maintain its leverage, thus causing the Corporation to recognize a loss that might not otherwise have occurred. The extent to which the gains and losses associated with leveraged investing are increased will generally depend on the degree of leverage employed.

***The Corporation may acquire various financial instruments for purposes of “hedging” or reducing its risks, which may be costly and ineffective and could reduce its cash available for distribution to its shareholders***

The Corporation may seek to hedge against interest rate and currency exchange rate fluctuations and credit risk by using financial instruments such as futures, options, swaps and forward contracts. These financial instruments may be purchased on exchanges or may be individually negotiated and traded in over-the-counter markets. Use of such financial instruments for hedging purposes may present significant risks, including the risk of loss of the amounts invested. Defaults by the other party to a hedging transaction can result in losses in the hedging transaction. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses both on the hedging transaction and on the instrument being hedged. Use of hedging activities may not prevent significant losses and could increase the Corporation's losses. Further, hedging transactions may reduce cash available to pay distributions to its shareholders.

***Capital markets may experience periods of disruption and instability. These market conditions could materially adversely affect the Corporation's business, financial condition and results of operations***

The Canadian, U.S., and global capital markets have in the past and may in the future experience periods of volatility and disruption during economic downturns and recessions. While, credit markets and the United States economy have experienced relative stability since the global financial crisis from 2007-2009, there can be no assurance that market conditions will remain or improve further in the near future.

The outbreak of the novel coronavirus, or COVID-19, in many countries continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting or reinstating quarantines, restrictions on travel and other measures to mitigate the impact of this pandemic. While many of these measures have been relaxed in certain jurisdictions, spread of the virus continues and restrictions generally remain in place. Such actions have created disruption in global supply chains, and have adversely impacted a number of industries, including, among others, transportation, hospitality and entertainment. The outbreak has triggered a period of global economic slowdown and continued volatility and could have a continued adverse impact on economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the duration and extent of this pandemic and its impact on the Corporation's business, financial condition and results of operations, as well as the business, financial condition and results of operations of the Corporation's portfolio companies. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to our and our portfolio companies' performance and financial results. The Corporation is actively monitoring developments with respect to this pandemic and its impact as part of the Corporation's overall investment objective and strategy. The Corporation had a reduction in its net asset value as of December 31, 2020 as compared to its net asset value as of December 31, 2019, which was primarily the result of the impact of COVID-19. The decrease in net asset value as of December 31, 2020 primarily resulted from an increase in the aggregate unrealized depreciation of the Corporation's investment portfolio resulting from decreases in the fair value of some of its portfolio company investments primarily due to the expected immediate adverse economic effects of COVID-19 and the continuing uncertainty surrounding COVID-19's long-term impact, as well as the re-pricing of credit risk in the broadly syndicated credit market. To the extent the Corporation's portfolio companies continue to be adversely impacted by the effects of COVID-19, it may have a material adverse impact on the Corporation's future net investment income, the fair value of its portfolio investments, its financial condition and the results of its operations and financial condition.

Such periods of disruption may be accompanied by depressed levels of consumer and commercial spending, a lack of liquidity in debt capital markets, significant write-offs in the financial services sector and the re-pricing of credit risk. The Corporation and the portfolio companies in which it invests may be adversely affected by these deteriorations in the financial markets and economic conditions throughout the world.

A weak economy could impact the quality, quantum and frequency of the deals available to the Corporation. Adverse economic conditions also may decrease the estimated value of the collateral securing the Corporation's financing structures. Further or prolonged economic slowdowns or recessions could lead to financial losses in the Corporation's loan portfolio and a decrease in the Corporation's net finance income, net income and book value. Any of these events, or any other events caused by turmoil in global financial markets, could have a material adverse effect on the Corporation.

***Competitive business environment***

The Corporation's ability to acquire new financing opportunities could be significantly affected by the activities of other industry participants. New competitors may enter the credit industry in which the Corporation operates, or current market participants may significantly increase their activities in this area. There can be no assurance that the Corporation will be able to compete effectively with its competitors in connection with the acquisition or origination of new financing opportunities. If these or other competitors were to engage in aggressive pricing policies, the Corporation may have difficulty originating new financing opportunities or could be forced to offer lower rates, both of which could have a material adverse effect on the Corporation. Some of the Corporation's competitors offer a broader range of financing services than the Corporation and can leverage their existing relationships to offer and sell services that compete directly with the Corporation's services. Further, the Corporation's competitors may have greater financial, technical, marketing and other resources, and may have greater access to lower cost capital. As a result of competition, the Corporation may not be able to attract new borrowers or sustain the rate of growth that the Corporation expects to achieve. As a result, the Corporation's ability to profitably expand its loan portfolio may decline.

***Because the Corporation's business model depends to a significant extent upon relationships with private equity sponsors, investment banks and commercial banks, the inability of the Corporation to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect the Corporation's business***

The Corporation depends on its broader organization's relationships with private equity sponsors, investment banks and commercial banks, and the Corporation relies to a significant extent upon these relationships to provide it with potential investment opportunities. If the Corporation or its organizations fails to maintain their existing relationships or develop new relationships with other sponsors or sources of investment opportunities, the Corporation may not be able to grow its investment portfolio. In addition, individuals with whom the Corporation or its broader organizations have relationships are not obligated to provide the Corporation with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for the Corporation.

***Inability to realize potential benefits from growth***

The Corporation's inability to realize the potential benefits from its growth strategy may adversely impact its operating results. The Corporation's ability to realize such benefits will be based on its management of growth and will require it to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. The Corporation's ability to manage its growth will depend in large part upon a number of factors, including the ability of the Corporation to rapidly: (i) secure additional sources of funding to fund new loans, while maintaining a prudent capital structure for the Corporation; and (ii) attract and retain qualified personnel in order to continue to develop the Corporation's pipeline of investment opportunities and provide services that respond to evolving financing needs. The Corporation's inability to achieve any of these objectives could have a material adverse effect on the Corporation.

***Changes in laws or regulations governing the Corporation's operations may adversely affect the Corporation's business or cause the Corporation to alter its business strategy***

The Corporation and its portfolio companies will be subject to regulation at the municipal, local, state, provincial, and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments the Corporation is permitted to make, any of which could harm the Corporation and its shareholders, potentially with retroactive effect.

Additionally, any changes to the laws and regulations governing the Corporation's operations relating to permitted investments may cause the Corporation to alter its investment strategy to avail itself of new or different opportunities. Such changes could result in material differences to the Corporation's strategies and plans as set forth in this Annual Information Form and may result in the Corporation's investment focus shifting from the areas of expertise of the Corporation to other types of investments in which the Corporation may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on the Corporation's financial condition and results of operations.

***Any changes in tax regulations or tax reform may have an adverse impact on investors***

Given the Corporation is expected to have investment holdings in both Canada and the U.S., there is potential that potential tax changes in Canada or the U.S. could result in adverse effects on the Corporation's financial results and share price. The Corporation cannot predict how changes in tax legislation will affect the Corporation, the Corporation's business, or the business of its portfolio companies but these provisions may in certain circumstances increase the tax burden on the Corporation's portfolio companies, which, in turn, could negatively affect their ability to meet their borrowing obligations to the Corporation.

***The Corporation may experience fluctuations in its quarterly results***

The Corporation could experience fluctuations in its quarterly operating results due to a number of factors, including its ability or inability to make investments in companies that meet its investment criteria, the interest rate payable on the debt securities it acquires, the level of its expenses (including the Corporation's borrowing costs), variations in and the timing of the recognition of realized and unrealized gains or losses, fluctuations in currency exchange rates, the degree to which it encounters competition in its markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

***A significant portion of the Corporation's investment portfolio is and will be recorded at fair value as determined in good faith by management and, as a result, there is and will be uncertainty as to the value of the Corporation's portfolio investments***

The Corporation is expected to be required to carry its portfolio investments at market value or, if there is no readily available market value, at fair value as determined by the Corporation's management. There is not a public market for the securities of the privately-held companies in which the Corporation invests. Most of the Corporation's investments will not be publicly traded or actively traded on a secondary market. As a result, the Corporation values these securities quarterly at fair value as determined in good faith by the management team.

Certain factors that may be considered in determining the fair value of the Corporation's investments include investment dealer quotes for securities traded on the secondary market for institutional investors, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly-traded companies, discounted cash flow and other relevant factors. As a result, the Corporation's determinations of fair value may differ materially from the values that would have been used if a ready market for these non-traded securities existed. Due to this uncertainty, the Corporation's fair value determinations may cause the net asset value of the Corporation on a given date to materially differ from the value that it may ultimately realize upon the sale of one or more of its investments.

### ***No guarantee as to timing or amount of dividends***

Holders of common shares of the Corporation do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors, even if the Corporation has sufficient distributable cash to pay such dividends. The declaration of any dividend will depend on the Corporation's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

The Corporation may not declare or pay a dividend if there are reasonable grounds to believe that (i) it is, or after the payment would be, unable to pay its liabilities as they become due, or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities, including those arising in the ordinary course of business. Dividends are not guaranteed, and the amount of any dividend may fluctuate or be reduced or eliminated. There can be no assurance as to the levels of dividends to be paid by the Corporation, if any. The market value of the common shares of the Corporation may deteriorate if the Corporation is unable to pay dividends in accordance with its intended dividend strategy, or not at all, and such deterioration may be material.

### ***Cash flows/investment income***

The Corporation generates income and cash flows primarily from interest and dividends from its portfolio investments, from financing activities and from proceeds from the disposition of its investments. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Corporation's direct control. The Corporation's liquidity and operating results may be adversely affected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Corporation, or if the value of the Corporation's investments decline, resulting in lesser proceeds of disposition and capital losses for the Corporation upon disposition.

### ***Foreign exchange risk***

A significant portion of the Corporation's investment portfolio is invested in U.S. dollar-denominated investments. To the extent that such exposure is not hedged, changes in the value of the currencies in which the Corporation's investments are denominated could have a negative impact on the Corporation's reported financial results and overall financial performance.

### ***Valuation of Cline***

The Corporation, along with affiliates of the Former Manager (the "**Group**"), holds an investment in the equity and bonds of Cline. Under a restructuring plan involving Cline, approved by the courts in 2015, the Group owns all of the equity and the senior secured bonds of Cline post-restructuring. On July 15, 2019, the Former Manager announced that Cline had entered into a conditional term sheet with Allegiance Coal Limited for the purchase and sale of all of the shares of NECC, which holds all the mining assets of Cline.

The fair value of Cline was determined based on the net present value of expected proceeds resulting from the proposed sale of Cline's mining assets. The estimate fair value is based on assumptions related to the completion of the announced transaction and the future operations of the mine. Should the underlying assumptions change, the estimated fair value could change by a material amount.

On January 22, 2020, the Former Manager announced that Cline had entered into a binding agreement for the sale by Cline to Allegiance Coal Limited of all the shares in NECC. The total acquisition cost is CAD\$55.0 million to be comprised of a mix of cash, shares of Allegiance Coal Limited and deferred cash payments that will be subject to certain conditions. Completion of the sale was to take place before July 15, 2020 and is subject to certain conditions, including Allegiance Coal Limited raising start-up capital for the mine, which was estimated to be \$55.0 million at the time of the announcement. On June 5, 2020, the Former Manager announced that Cline had amended the binding agreement for the sale by Cline to Allegiance of all the shares of NECC with respect to, among other things, the structure of the consideration payable by Allegiance, and subsequently announced that the completion of the transaction is estimated to take place before the end of October 2020. On October 27, 2020, the Former Manager announced that the completion of the transaction took place on October 26, 2020. The Corporation understands that it

is the Former Manager's intention to direct Cline to remit the net proceeds from the transaction, less a prudent provision for any ongoing minimal Cline operating costs, to the senior bondholders (which includes the Corporation) as soon as practicable after receipt. The distribution by the Corporation of any proceeds received from the Cline transaction will be made in accordance with the terms of the indenture governing the CVRs.

***CVR holders may never receive a payment on the CVRs***

The right to receive any payment on the CVRs will be contingent upon the satisfaction of Contingent Payment Events. If a Contingent Payment Event is not achieved for any reason, payments will not be made on the CVRs. Accordingly, the value, if any, of the CVRs is speculative, and the CVRs may ultimately have no value.

***The CVRs are difficult to value***

If any payment is made on the CVRs, it will not be made until the satisfaction of the Contingent Payment Event. As such, it may be difficult to value the CVRs, which may affect the market price and/or make it difficult or impossible for a holder to sell its CVRs. In addition, the amount payable to holders of CVRs in respect of a particular Contingent Payment Event will be net of certain fees, expenses, costs (including transaction costs) and taxes payable by the Corporation in respect of such Contingent Payment Event.

***The Canadian federal income tax treatment of the CVRs is unclear***

There is no legal authority directly addressing the Canadian federal income tax treatment of the CVRs and the consequences of the receipt, holding and disposition of the CVRs are therefore unclear for such purposes. Holders are urged to consult their own tax advisors regarding the Canadian federal income tax consequences to them of the receipt, holding and disposition of CVRs.

***No current market exists for CVRs***

There is currently no market through which the CVRs may be sold, and such a market is not expected to develop. Accordingly, holders may not be able to resell the CVRs. This may affect the pricing of the CVRs in the secondary market, the transparency and availability of trading prices, the liquidity of the CVRs and the extent of issuer regulation. The Corporation does not intend to apply to list the CVRs on the NEO Exchange or any other stock exchange.

***Because there will not be an active public market for the CVRs, the market price of the CVRs, if any, may be volatile***

The market price of the CVRs, if any, could fluctuate significantly for many reasons, including, without limitation:

- as a result of the risk factors listed in this Annual Information Form;
- it is not expected that the CVRs will be posted for trading on any stock exchange;
- an inability to complete a Contingent Payment Event;
- Cline's operating performance;
- legal or regulatory changes that could impact the business of Cline; and
- general economic, securities markets and industry conditions.

***Major public health issues, and specifically the novel coronavirus COVID-19, could have an adverse impact on our financial condition and results of operations and other aspects of the Corporation***

The Corporation is closely monitoring developments related to the COVID-19 pandemic to assess its impact on the Corporation and its portfolio companies' business. While, due to the evolving and highly uncertain nature of this event, it currently is not possible to estimate its impact precisely, the COVID-19 pandemic could impact the business, financial condition, results of operations, liquidity or prospects of the Corporation as well as our portfolio companies in a number of ways. For instance, the Corporation's investment portfolio (and, specifically, the valuations of investment assets we hold) has been, and may continue to be, adversely affected as a result of market developments

from the COVID-19 pandemic and uncertainty regarding its outcome. Moreover, changes in interest rates, reduced liquidity or a continued slowdown in U.S. or global economic conditions may also adversely affect the business, financial condition, results of operations, liquidity or prospects of the Corporation as well as its portfolio companies. Further, extreme market volatility may leave us and our portfolio companies unable to react to market events in a prudent manner consistent with our historical practices in dealing with more orderly markets. Although it is impossible to predict with certainty the potential full magnitude of the business and economic ramifications of this pandemic, COVID-19 has impacted, and may further impact, our business in various ways, including but not limited to:

- from an operational perspective, the activities of the Corporation's employees, as well as those of workforces of its vendors, service providers and counterparties, may be limited by the COVID-19 pandemic or efforts to mitigate the pandemic, including as a result of government-mandated shutdowns, requests or orders for employees to work remotely, and other social distancing measures, which could result in an adverse impact on our ability to conduct our business in the normal course;
- while the market dislocation caused by the COVID-19 pandemic may present attractive investment opportunities, due to increased volatility in the financial markets, the Corporation may not be able to complete those investments;
- if the impact of the COVID-19 pandemic continues, the Corporation may have more limited opportunities to successfully exit existing investments, due to, among other reasons, lower valuations, decreased revenues and earnings, or lack of potential buyers with financial resources to pursue an acquisition, resulting in a reduced ability to realize value from such investments;
- the Corporation's portfolio companies are facing or may face in the future increased credit and liquidity risk due to volatility in financial markets, reduced revenue streams, and limited or higher cost of access to preferred sources of funding, which may result in potential write-downs or write-offs in the value of the Corporation's investments. Changes in the debt financing markets are impacting, or, if the volatility in financial market continues, may in the future impact, the ability of the Corporation's portfolio companies to meet their respective financial obligations;
- borrowers of loans, notes and other credit instruments in the Corporation's portfolio may be unable to meet their principal or interest payment obligations or satisfy financial covenants, resulting in a decrease in value of the Corporation's investments and lower than expected return. In addition, for variable interest instruments, lower reference rates resulting from government stimulus programs in response to the COVID-19 pandemic could lead to lower interest income;
- many of the Corporation's portfolio companies operate in industries that are materially impacted by the COVID-19 pandemic, including but not limited to healthcare and consumer. Many of these companies are facing operational and financial hardships resulting from the spread of COVID-19 and related governmental measures, such as the closure of stores, restrictions on travel, quarantines or stay-at-home orders. If the disruptions caused by COVID-19 continue and the restrictions put in place are not lifted, the businesses of these portfolio companies could suffer materially or become insolvent, which would decrease the value of the Corporation's investments;
- an extended period of remote working by the Corporation's employees could strain its technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic; and
- COVID-19 presents a significant threat to the Corporation's employees' well-being and morale. While the Corporation has implemented a business continuity plan to protect the health of its employees and has contingency plans in place for key employees or executive officers who may become sick or otherwise unable to perform their duties for an extended period of time, such plans cannot anticipate all scenarios, and the Corporation may experience potential loss of productivity or a delay in the roll out of certain strategic plans.

***If the current period of capital market disruption and instability continues for an extended period of time, there is a risk that investors in the Corporation's equity securities may not receive distributions consistent with historical levels or at all or that the Corporation's distributions may not grow over time and a portion of the distributions may be a return of capital***

Although the Corporation has paid distributions to its shareholders, the Corporation can give no assurances that it will achieve investment results that will allow the Corporation to make any cash distributions going forward.

The Corporation's ability to pay distributions has been, and may continue to be, adversely affected by the impact of one or more of the risk factors described in this Annual Information Form, including the COVID-19 pandemic described above. For example, if the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories in the jurisdictions, including Canada and the United States, affected by the COVID-19 pandemic were to continue for an extended period of time it could result in reduced cash flows to the Corporation from its existing portfolio companies, which could reduce cash available for distribution to the Corporation's shareholders. If the Corporation declares a distribution, it may be forced to sell some of the Corporation's investments in order to make cash distribution payments. To the extent the Corporation makes distributions to shareholders that include a return of capital, such portion of the distribution essentially constitutes a return of the shareholder's investment. Although such return of capital may not be taxable, such distributions would generally decrease a shareholder's basis in the common shares of the Corporation and may therefore increase such shareholder's tax liability for capital gains upon the future sale of such shares. A return of capital distribution may cause a shareholder to recognize a capital gain from the sale of the common shares of the Corporation even if the shareholder sells its shares for less than the original purchase price.

***The interest rates of some of the Corporation's term loans to its portfolio companies may be priced using a spread over LIBOR, which may be phased out in the future.***

On July 27, 2017, the Financial Conduct Authority ("FCA") announced that it would phase out the London Interbank Offered Rate ("LIBOR") as a benchmark by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist thereafter. On November 30, 2020, Intercontinental Exchange, Inc. ("ICE") announced that the ICE Benchmark Administration Limited, a wholly-owned subsidiary of ICE and the administrator of LIBOR, is considering extending the LIBOR transition deadline to the end of June 2023. As an alternative to LIBOR, for example, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities. Abandonment of or modifications to LIBOR could have adverse impacts on newly issued financial instruments and the Corporation's existing financial instruments which reference LIBOR. While some instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate setting methodology, not all instruments may have such provisions and there is significant uncertainty regarding the effectiveness of any such alternative methodologies. Abandonment of or modifications to LIBOR could lead to significant short-term and long-term uncertainty and market instability. If LIBOR ceases to exist, the Corporation and its portfolio companies may need to amend or restructure its existing LIBOR-based debt instruments and any related hedging arrangements that extend beyond 2021, which may be difficult, costly and time consuming. In addition, from time to time the Corporation invests in floating rate loans and investment securities whose interest rates are indexed to LIBOR. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR, or any changes announced with respect to such reforms, may result in a sudden or prolonged increase or decrease in the reported LIBOR rates and the value of LIBOR-based loans and securities, including those of other issuers the Corporation or its funds currently own or may in the future own. It remains uncertain how such changes would be implemented and the effects such changes would have on the Corporation, issuers of instruments in which the Corporation invests and financial markets generally.

The expected discontinuation of LIBOR could have a significant impact on the Corporation's business. The dollar amount of the Corporation's outstanding debt investments and borrowings that are linked to LIBOR with maturity dates after the anticipated discontinuation date of 2021 is material. The Corporation anticipates significant operational challenges for the transition away from LIBOR including, but not limited to, amending existing loan agreements with borrowers on investments that may have not been modified with fallback language and adding effective fallback language to new agreements in the event that LIBOR is discontinued before maturity. Beyond these challenges, the Corporation anticipates there may be additional risks to our current processes and information systems that will need to be identified and evaluated by the Corporation. Due to the uncertainty of the replacement for LIBOR, the potential effect of any such event on the Corporation's cost of capital and net investment income cannot yet be determined. In addition, the cessation of LIBOR could:

- adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any LIBOR-linked securities, loans and derivatives that are included in the Corporation's assets and liabilities;

- require extensive changes to documentation that governs or references LIBOR or LIBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding investments;
- result in inquiries or other actions from regulators in respect of the Corporation's preparation and readiness for the replacement of LIBOR with one or more alternative reference rates;
- result in disputes, litigation or other actions with portfolio companies, or other counterparties, regarding the interpretation and enforceability of provisions in the Corporation's LIBOR-based investments, such as fallback language or other related provisions, including, in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between LIBOR and the various alternative reference rates;
- require the transition and/or development of appropriate systems and analytics to effectively transition the Corporation's risk management processes from LIBOR-based products to those based on one or more alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- cause the Corporation to incur additional costs in relation to any of the above factors.

There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have a material adverse effect on the Corporation's business, result of operations, financial condition, and unit price.

***The Corporation may Require Authorizations as it Expands the Scope of its Business***

As the Corporation expands the scope of its business and investment strategy, aspects of its operations may require registration with regulatory authorities in the jurisdictions in which it operates. There can be no assurance that all required approvals or authorizations will be obtained on a timely basis or at all. If such approvals or authorizations are obtained, there can be no assurance that the Corporation will be successful in obtaining such approvals or authorizations on terms that permit the Corporation to expand the scope of its business and investment strategy successfully and realize potential benefits.

***We expect to derive an increasing amount of our revenues from funds managed pursuant to advisory agreements and collateral management agreements, either by us or another entity in which we have an economic interest relating thereto, that may be terminated.***

With respect to funds regulated under the United States Investment Company Act of 1940 (the "Investment Company Act"), including SCIM with respect to its management of CIF, each fund's investment management agreement must be approved annually by such fund's board of directors or by the vote of a majority of the stockholders and the majority of the independent members of such fund's board of directors and, in certain cases, by its stockholders, as required by law. In addition, as required by the Investment Company Act, CIF has the right to terminate the CIF Advisory Agreement without penalty upon 60 days' written notice to SCIM. As a result, there can be no assurance that the CIF Advisory Agreement or similar agreements that we may enter into in the future will remain in place.

We, through ML management, receive collateral management fees pursuant to collateral management agreements for acting as the collateral manager of the CLOs. If all the notes issued by one of the CLOs are redeemed, or if the collateral management agreement is otherwise terminated, we will no longer receive collateral management fees from that CLO. In general, a collateral management agreement may be terminated both with and without cause at the direction of holders of a specified supermajority in principal amount of the notes issued by the CLO. Furthermore, such fees are based on the total amount of assets held by the CLO. If the assets held by the CLO are prepaid or go into default, we will receive lower collateral management fees than expected or the collateral management fees may be eliminated.

In addition, collateral management agreements typically provide that if certain over-collateralization tests are failed, the collateral management agreement may be terminated by a vote of the security holders resulting in our loss of management fees from these CLOs.

If any of our CLOs fail to meet over-collateralization tests relevant to the CLO's most senior existing debt, an event of default may occur. Upon an event of default, our ability to manage the CLO may be terminated and our ability to attempt to cure any defaults in the CLO would be limited, which would increase the likelihood of a reduction or elimination of cash flow and returns to us in those CLOs for an indefinite time.

***The asset management business is competitive.***

The asset management business is competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. We compete for investors with a number of other asset managers, public and private funds, business development companies, interval fund and others. Numerous factors increase our competitive risks, including:

- a number of our competitors have greater financial, technical, marketing and other resources and more personnel than we do;
- several of our competitors have raised significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that otherwise could be exploited;
- some of our competitors may have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to our funds;
- some of our competitors may be subject to less regulation and, accordingly, may have more flexibility to undertake and execute certain business or investments than we do and/or bear less compliance expense than we do;
- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do; and
- other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

In addition, the attractiveness of our funds relative to investments in other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and financial condition.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed herein, no director or executive officer of the Corporation and, to the knowledge of the directors and executive officers of the Corporation, none of their respective associates or affiliates, nor any person who beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of the outstanding common shares of the Corporation, nor their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Corporation or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Corporation.

**MATERIAL CONTRACTS**

The Corporation has no material contracts, other than contracts entered into in the ordinary course of business, that were entered into during the financial year ended December 31, 2020, or that were entered into before the financial year ended December 31, 2020 that are still in effect, other than:

- (i) the warrant indenture between the Corporation and Computershare Trust Company of Canada, as warrant agent, dated October 19, 2018 providing for the creation and issue of the Warrants;
- (ii) the rights indenture between the Corporation and Computershare Trust Company of Canada, as rights agent, dated October 19, 2018 providing for the creation and issue of the CVRs;

- (iii) the servicing agreement between the Corporation and BC Partners dated November 20, 2018 pursuant to which BC Partners provides certain administrative services to the Corporation;
- (iv) the Loan Facility between, among others, MLC I and the Lender dated February 22, 2019, as amended pursuant to a first amendment to facility and security agreement dated January 31, 2020 and a second amendment to facility and security agreement dated July 31, 2020;
- (v) the Agency Agreement in respect of the Offering;
- (vi) the amended and restated promissory note dated December 17, 2020 issued by SCIM in favour of MLC US Holdings LLC in respect of the SCIM Facility, which amends and restates the promissory note dated October 30, 2020 issued by SCIM in favour of the Corporation in respect of the SCIM Facility;
- (vii) the security agreement between SCIM and the Corporation dated October 30, 2020 providing the Corporation with security in respect of the SCIM Facility, which was security agreement was terminated on December 17, 2020; and
- (viii) the amended and restated master services agreement dated December 17, 2020 between SCIM and MLC US Holdings LLC providing SCIM with certain services related to SCIM's investment advisory business, which amends and restates the master services agreement between SCIM and the Corporation dated October 30, 2020 entered into for the same purpose.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Corporation is not, and during the last financial year of the Corporation was not, a party to any legal proceedings. No property of the Corporation is, or during the last financial year of the Corporation was, the subject of any legal proceedings. To the knowledge of the Corporation, no such legal proceedings are contemplated. There have not been any penalties or sanctions imposed against the Corporation by, or settlement agreement entered into by the Corporation before, a court or regulatory body, including any securities regulatory authority.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the common shares of the Corporation is Odyssey Trust Company at its office in Toronto, Ontario.

### **INTEREST OF EXPERTS**

KPMG LLP, the external auditor of the Corporation, reported on the fiscal 2020 audited consolidated financial statements. KPMG LLP has confirmed to the Corporation that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under the Corporation's equity compensation plan is contained in the Corporation's management information circular dated May 26, 2020 prepared and filed in connection with the Corporation's annual and special meeting of shareholders held on June 26, 2020.

Additional financial information is provided in the Corporation's financial statements and Management's Discussion and Analysis for the year ended December 31, 2020.

**APPENDIX A  
AUDIT COMMITTEE CHARTER**

**MOUNT LOGAN CAPITAL INC.  
MANDATE AND RESPONSIBILITIES OF  
THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**

**ROLE AND MEMBERSHIP**

The Audit Committee (the “**Committee**”) shall be a committee to the Board of Directors of Mount Logan Capital Inc. (the “**Corporation**”).

The Committee shall consist of not fewer than three (3) such directors, one of whom shall be the Chairman of the Committee. All members of the Committee shall be “independent” (as such term is used in National Instrument 52-110 – “Audit Committees”) and who are independent of management and free of any relationship, which would interfere or appear to interfere with the exercise of independent judgment as Committee members. For clarity, each member of the Committee may not, other than in his or her capacity as a member of the Committee, the Board of Directors or any other committee of the Board of Directors, accept any consulting, advisory or other compensatory fee from Corporation, and may not be an affiliated person of Corporation or any subsidiary thereof, unless otherwise approved by a majority of the Board of Directors. Each member shall be financially literate, as defined in National Instrument 52-110, being able to read and understand financial statements that present a level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer’s financial statements.

One member shall have past employment in finance, accounting or any other comparable experience or background providing financial expertise. The Committee composition, including the qualifications of its members, shall comply with the applicable requirements of stock exchanges on which Corporation lists its securities and of securities regulatory authorities, as such requirements may be amended from time to time.

The Chairman of the Committee and its members shall be elected annually by the Board of Directors.

A majority of members of the Committee shall constitute a quorum.

**AUTHORITY**

The Committee has the authority to:

- Engage independent counsel and other advisors as it determines necessary to carry out its responsibilities.
- Set and pay the compensation for any advisors employed by the Committee.
- Communicate directly with the external and internal auditors.
- Communicate directly with the management and staff as and when the Committee deems appropriate.
- Determine or direct the training and or professional development of Committee members.
- To conduct or authorize investigations into any matters within the scope of the Committee’s responsibilities, with full access to all books, records, facilities and personnel of Corporation, its auditors and its legal advisors.

**MANDATE AND RESPONSIBILITIES**

The Committee will work closely and cooperatively with such officers and employees of Corporation, its auditors, and/or other appropriate advisors and with access to such information as the Committee considers being necessary or advisable in order to perform its duties and responsibilities, as assigned by the Board of Directors, in the following areas:

- Review of Audited Financial Statements
- Review the annual audited financial statements, MD&A, earnings press releases and, as applicable, the text of any proposed conference calls where financial information will be discussed, in each case before public disclosure of this information and make specific recommendations to the Board of Directors. As part of this process the Committee should:
  - Review the content of the MD&A in the context of prevailing and proposed legislation.
  - Review the appropriateness of any changes to the underlying accounting principles and practices.
  - Review the appropriateness of estimates, judgments of choice and level of conservatism of accounting principles.
  - Review business risks, uncertainties, commitments and contingent liabilities.
  - Be satisfied that adequate procedures are in place for the review of Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements.

### **Engagement of External Auditors**

The Committee shall recommend to the Board of Directors the appointment of the external auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest functions. The external auditors shall report directly to the Committee.

The Committee shall review and approve the engagement letter. As part of this review the Committee reviews and recommends to the Board of Directors for their approval the auditor's fees for the annual audit. The Committee is responsible for the oversight of the work of the Corporation's auditor for the purpose of preparing or issuing an audit report or related work, and the auditor shall report directly to the Committee.

The Committee shall receive of a written statement not less than annually from the external auditor describing in detail all relationships between the auditor and Corporation that may impact the objectivity and independence of the auditor. The Committee shall review annually with the Board of Directors the independence of the external auditors and either confirms to the Board of Directors that the external auditors are independent or recommend that the Board of Directors take appropriate action to satisfy itself of the external auditor's independence.

The Committee will take reasonable steps to confirm the independence of the independent auditor, which shall include:

- ensuring receipt from the independent auditor of the written statement referred to above; and
- considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor.

The Committee shall review and pre-approve all non-audit services to be provided to Corporation by its external auditors.

### **Review and Discussion with External Auditors**

The Committee shall review with the external auditors and management the annual external audit plans which would include objectives, scope, timing, materiality level and fee estimate.

The Committee shall request and review an annual report prepared by the external auditors of any significant recommendations to improve internal control and corresponding management responses.

The Committee shall make specific inquiry of the external auditors relating to:

- Performance of management involved in the preparation of financial statements.
- Any restrictions on the scope of audit work.
- The level of cooperation received in the performance audit.
- The effectiveness of the work of internal audit.

- Any unresolved material differences of opinion or disputes between management and the external auditors.
- Any transactions or activities which may be illegal or unethical.
- Independence of the external auditor including the nature and fees of non-audit services performed by external audit firms and its affiliates.

The Committee shall resolve disagreements between management and the external auditors regarding financial reporting.

#### **Review and Discussion with Management**

The Committee shall review and assess the adequacy and quality of organization and staffing for accounting and financial responsibilities.

The Committee shall review with management the annual performance of external and internal audits.

#### **Review of Other Documents**

The Committee shall ensure all material public documents relating to the financial performance, financial position or analysis thereon are reviewed by the Committee or another appropriate committee, as designated by the Board of Directors. Such documents would include, but not be limited to, interim financial statements, and the Annual Information Form. In certain cases which involve severe timing considerations such as the Management's Discussion and Analysis contained in the annual report to shareholders, the Committee may designate the responsibility for review to any two members of the Committee. The Committee shall review and monitor practices and procedures adopted by the Corporation to assure compliance with applicable listing requirements, laws, regulations and other rules, and where appropriate, make recommendations or reports thereon to the Board of Directors.

The Committee shall review significant changes in the accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries, or in their application, and in financial disclosure presentation.

The Committee shall prepare or review such reports as may be required by any applicable securities regulatory authority to be included in the Corporation's Information Circular or any other disclosure document of the Corporation.

#### **Other Responsibilities**

The Board may from time to time refer to the Committee such matters relating to the financial affairs of the Corporation as the Board may deem appropriate.

The Committee must review and approve Corporation's hiring policies regarding employees and former employees of the present and former auditors of the Corporation.

#### **Meetings**

The Committee shall meet at such times as deemed necessary by the Board of Directors or the Committee.

#### **Handling of Complaints**

The Committee shall maintain procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. These procedures for the receipt, retention and treatment of complaints shall be set out in a separate "whistleblower" policy.

**Annual Review**

The Committee shall review and assess the adequacy of its mandate annually, report to the Board of Directors thereon, and recommend any proposed changes to the Board of Directors for approval. The Committee shall also perform an annual evaluation of the performance of the Committee and shall report the results of the evaluation to the Board of Directors.

**Approved by the Board of Directors November 28, 2018**