

**CONFIDENTIAL  
OFFERING MEMORANDUM  
DATED OCTOBER 2018**

**YORKVILLE ENTERTAINMENT NO. 1 LIMITED PARTNERSHIP**

**THIS DOCUMENT IS CONFIDENTIAL  
AND IS NOT FOR PUBLIC DISTRIBUTION**



## CONFIDENTIAL OFFERING MEMORANDUM

*This confidential offering memorandum (this “Offering Memorandum”) (i) constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale and only by persons permitted to sell these securities, (ii) is confidential and prospective purchasers, by their acceptance hereof, agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein, and (iii) is not, and under no circumstances is to be construed as, a prospectus, an advertisement, or a public offering of these securities. No securities commission or securities regulatory authority in Canada has passed on the merits of the securities offered hereunder nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence. No prospectus has been filed with any securities commission or securities regulatory authority in Canada in connection with the securities offered hereunder. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and, accordingly, may not be offered or sold in the United States of America or to any U.S. person (as defined in Rule 902 under the U.S. Securities Act) except in compliance with the registration requirements of the U.S. Securities Act or pursuant to an exemption therefrom.*

*Private Placement*

October, 2018

## YORKVILLE ENTERTAINMENT NO. 1 LIMITED PARTNERSHIP

**An unlimited number of Limited Partnership Units**

**Unit Subscription Price:  
\$1,000 per Unit**

This offering (the “**Offering**”) consists of an unlimited number of limited partnership units (the “**Units**”) in the capital of Yorkville Entertainment No. 1 Limited Partnership (the “**Partnership**”), a limited partnership formed under the laws of the Province of Ontario. Units are offered for sale in the Provinces of Alberta, British Columbia, Nova Scotia and Ontario by the Partnership as principal through Spotlight Capital Corp. (the “**Lead Sales Agent**”) and any sub-agents appointed by the Lead Sales Agent (collectively, “**Agents**”). The general partner of the Partnership is Yorkville Entertainment Management Inc. (the “**General Partner**”). The General Partner may reject or accept subscriptions in whole or in part solely in its discretion and the right is reserved to terminate the Offering at any time. Subscribers whose subscriptions are accepted by the General Partner will acquire Units and will become limited partners (the “**Limited Partners**”) of the Partnership.

The Offering provides investors with an opportunity to invest in the entertainment industry, by indirectly investing in entertainment productions, exhibitions and other entertainment products (individually, a “**Production**” and collectively, the “**Productions**”) being produced for exploitation throughout the world. The Partnership will use the net proceeds from the sale of the Units to invest in operating entities formed under the laws of a province, territory or state of Canada, the United States or another jurisdiction (each, an “**Operating Entity**”). Each Operating Entity will stage one or more Production(s) and will be entitled to earn revenues derived from the exploitation of such Production(s). (See: “The Business of the Partnership”.)

**THIS IS A SPECULATIVE OFFERING. An investment in Units involves significant risks and should only be considered by those investors who can afford a loss of their entire investment. There is no assurance that revenues of the Partnership will be sufficient to allow Limited Partners to recover all or any of their investment. The Units should be considered only by those investors who are able to make a long-term investment and each investor should carefully consider the investment merits of an investment in the Units. There is no market through which the Units may be sold and none is expected to develop. The Units are subject to resale restrictions. Limited Partners may sell their Units only pursuant to applicable securities legislation, and pursuant to the terms of the Partnership Agreement (as hereinafter defined), which restricts the transfer of Units. Therefore, it may be difficult or even impossible for investors to sell their Units. The limited liability of Limited Partners may be lost if they participate in the management and control of the Partnership. Prospective investors should consult their own professional advisors to assess the business, legal, income tax, and other aspects of this investment. There are other risks associated with the Offering. (See: “Risk Factors”).**

The Units are offered for sale in Alberta, British Columbia, Nova Scotia and Ontario pursuant to exemptions from the prospectus requirements under applicable securities legislation. Agents will offer the Units on behalf of the Partnership in accordance with applicable securities legislation. Investors will not have the benefit of independent legal counsel. Investors should carefully review the risk factors outlined in this Offering Memorandum. Investors relying on this Offering Memorandum must comply with all applicable securities legislation with respect to the acquisition or disposition of the Units. **Investors are strongly encouraged to obtain independent legal advice with respect to this Offering.**

Certain statements contained in this Offering Memorandum constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “should”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” and similar expressions as they relate to the Partnership, the Operating Entities or their respective management, are intended to identify forward-looking statements. Forward-looking statements in this Offering Memorandum may reflect the current views of the Partnership with respect to future events and are subject to certain risks, uncertainties and assumptions, including, but not limited to, those risks described under the heading “Risk Factors” in this Offering Memorandum, which should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. Many factors could cause the Partnership’s and each Operating Entity’s actual results, performance or achievements that may be expressed or implied by such forward-looking statements to vary from those described herein should one or more of these risks

or uncertainties materialize. Although the forward-looking statements contained in this Offering Memorandum are based upon what the Partnership believes are reasonable assumptions, the Partnership cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Offering Memorandum and the Partnership does not intend, and does not assume any obligation, to update these forward-looking statements.

Units, in quantities to be determined by the Partnership from time to time, shall be offered to investors on a continuous basis by the Agents, subject to the General Partner's right to terminate the Offering at its discretion at any time. Closings of the sale of Units pursuant to the Offering shall take place from time to time. The Offering is not subject to any minimum subscription level and therefore any funds received from an investor whose subscription is accepted shall be available to the Partnership and need not be refunded to the investor.

**Sales of Units will be made through the Lead Sales Agent, an affiliate of the general partner of the Partnership. The directors, officers and indirect shareholders of the general partner of the Partnership are also directors, officers and indirect shareholders of the Lead Sales Agent. Accordingly, the Partnership may be considered a "related issuer" and "connected issuer" of the Lead Sales Agent as such term is defined in National Instrument 33-105 *Underwriting Conflicts*. (See: "Conflicts of Interest".)**

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## SUMMARY OF THE OFFERING

*The following is a summary of the principal characteristics of this Offering. Capitalized terms used in this summary are defined in this summary or elsewhere in this Offering Memorandum. The information contained in this summary is qualified by the detailed information found elsewhere in this Offering Memorandum which the reader is urged to review carefully.*

### **Offering**

This Offering consists of an unlimited number of units (“**Units**”) in the Partnership. The Partnership will use the net proceeds from the sale of the Units to invest in operating entities (the “**Operating Entities**”) formed under the laws of a province, territory or state of Canada, the United States or another jurisdiction. The Partnership will terminate the Offering on the earlier of the date on which it has determined that sufficient funds have been raised and, if applicable, prior to the opening of the first Production. Each Operating Entity will stage one or more Production(s) and will be entitled to earn revenues derived from the exploitation of such Production(s). (See: “Business of the Partnership” and “Initial Productions”).

### **Agents**

The General Partner has appointed Spotlight Capital Corp. as lead sales agent (the “**Lead Sales Agent**”) pursuant to an agency agreement (the “**Agency Agreement**”). The Lead Sales Agent may appoint sub-agents to assist with the Offering (the Lead Sales Agent and all sub-agents, collectively, the “**Agents**”).

Pursuant to the Agency Agreement, the Partnership will pay a fee of 13% to the Lead Sales Agent. The Lead Sales Agent will pay any fees of any sub-agents. (See: “Conflicts of Interest”.)

### **Description of the Units**

Each Unit will entitle the holder thereof to a share of the net income and net losses of the Partnership and to vote on all matters at meetings of Limited Partners. A holder of Units will lose the benefit of limited liability if the holder takes part in the control of the business of the Partnership. Holders of Units may vote to replace the General Partner by way of an Extraordinary Resolution. (See: “Summary of Partnership Agreement”.)

### **Subscription Price for the Units**

\$1,000 per Unit. (See: “Subscription for Units”.)

### **Minimum Subscription**

Investors must subscribe for a minimum of 25 Units. Notwithstanding the foregoing, the General Partner shall have the discretion to accept subscriptions below the minimum set out above.

**How to Subscribe for Units**

In order to purchase Units, an investor must complete and deliver to an Agent the following: (i) a duly completed and signed subscription agreement (the “**Subscription Agreement**”), including the Accredited Investor Certificate attached thereto; (ii) a completed “Know Your Client” form; and (iii) a cheque (or, in the sole discretion of the General Partner, two or more cheques), payable to the order of Yorkville Entertainment No. 1 Limited Partnership, in the aggregate amount of the subscription price for the Units equal to \$1,000 per Unit (the “**Subscription Price**”).

The General Partner may, in its sole discretion, terminate the Offering at any time. In the event of such a termination, all funds advanced by investors in connection with the Offering and all uncashed cheques tendered for the Offering shall be returned to the investors by the General Partner without interest or deduction. (See: “Conditions of Closing” and “Plan of Distribution”.)

**The Partnership**

The Partnership will be formed as a limited partnership under the laws of the Province of Ontario. The fiscal year-end of the Partnership will be December 31.

**The General Partner**

The General Partner of the Partnership is Yorkville Entertainment Management Inc., a corporation incorporated pursuant to the laws of Ontario on January 27, 2005 and has been inactive since January 31, 2016. The General Partner has no material assets or liabilities. The Partnership will pay the General Partner a fee equal to 2% of capital raised.

**Business of the Partnership**

The business of the Partnership shall be restricted to the acquisition and holding, directly or indirectly, of interests in Operating Entities, producing, co-producing or distributing the Productions of Operating Entities and other activities ancillary thereto. It is the intention of the Partnership to invest (through the investment in Operating Entities) in Productions that, in the General Partner’s estimation, have the greatest chance for a long-term existence and possess the best qualities thereby providing the greatest potential for the generation of both Production income and income derived from Subsidiary Rights (defined below). There can be no assurance that the Partnership or any of the Operating Entities will be profitable. It is generally recognized that the profitability of any particular Production depends on many factors, such as public acceptance, which are outside of the control of the Partnership and the Operating

Entities and which cannot be quantified with certainty at the time the Partnership's investment in Operating Entities will be made. Accordingly, investment in any particular Production through its Operating Entity is speculative. (See: "Risk Factors".) (See: "Business of the Partnership".)

### **The Operating Entities and Their Business**

Each Operating Entity will acquire the rights to stage one or more live staged productions, exhibit major exhibitions, distribute an entertainment product, or participate in any entertainment-related product that meets the required criteria as set out in this Offering Memorandum.

A live staged production is a stage play, a musical or other theatrical property having an experienced director, production team and cast of performers, and is generally presented initially either on Broadway, in Las Vegas, London's West End theatre district or on another designated stage (which may be located in Canada, England, the United States or another country).

A major exhibition is an informative themed, museum-quality organized presentation and display of selected items housed in museums or large presentation spaces.

Other entertainment products could be, but are not restricted to, feature films or direct-to-digital films, the latter to be distributed in a digital marketplace and produced for a relatively low cost or the long-term licensing.

### **Expenses of the Partnership**

The General Partner is entitled to reimbursement from the Partnership for all reasonable costs and expenses that are incurred by the General Partner on behalf of the Partnership in the ordinary course of the business of the Partnership or incidental to acting as general partner of the Partnership. Subject to the foregoing, the General Partner will pay all of its own normal operating expenses (including employee salaries, rent and communications expenses).

The Partnership will pay all its own expenses including, without limitation: (i) organization and capital raising costs of the Fund; (ii) direct expenses of acquiring the Operating Entity Interests; (iii) legal, accounting, audit, custodial, consulting and other professional fees; (iv) banking, brokerage, broken-deal, registration, qualification, finders, depositary and similar fees or commissions; (v) transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of Operating Entity Interests; (vi) costs of preparation and delivery of financial statements and other reports; (vii)

insurance, indemnification and other expenses of operating the Partnership; (viii) extraordinary expenses such as litigation; and (ix) travel and other expenses incurred in investigating or evaluating investment opportunities, or monitoring investments in Operating Entities.

**Transfer Restrictions**

The Units are subject to resale restrictions. Limited Partners may sell their Units only pursuant to applicable securities legislation, and pursuant to the terms of the Partnership Agreement, which restricts the transfer of Units. Therefore, it may be difficult or even impossible for investors to sell their Units. (See: “Summary of the Partnership Agreement – Transfer of Units”.)

**Distributions and Allocations**

At any time or times during any fiscal year of the Partnership, the General Partner may specify that cash amounts shall be distributed to the Partners on account of profits earned by the Partnership (“**Distributable Cash**”) in such fiscal year. Any amounts so distributed to the Partners in any fiscal year shall be distributed as to 0.01% to a maximum of \$100 to the General Partner, as to 5% to the Special Limited Partner (who is an affiliate of the General Partner) and thereafter to each other Limited Partner *pro rata* in accordance with the number of Units held by it as at the date of the distribution.

Where income for tax purposes in a fiscal year is less than or equal to the aggregate amount of Distributable Cash paid or made payable to Partners in such fiscal year, the Partners shall be allocated income for tax purposes in the same proportion as Distributable Cash was paid or made payable to them in such fiscal year. Where income for tax purposes in a fiscal year is greater than the aggregate amount of Distributable Cash paid or made payable to Partners in such fiscal year, the Partners shall be allocated income for tax purposes in an amount equal to the amount of Distributable Cash paid or made payable to them in such fiscal year, and the balance of income for tax purposes shall be allocated to each Limited Partner (other than the Special Limited Partner) *pro rata* in accordance with the number of Units held by it as at the end of such fiscal year.

Losses of the Partnership in a fiscal year will be allocated to each Limited Partner in the same proportion as the capital contributed by such Limited Partner to the Partnership in that fiscal year bears to the capital contributed by all Limited Partners in that fiscal year. If there are no capital contributions made in a fiscal year, Losses will be allocated to each Limited Partner *pro rata* in accordance with the number of Units held by

it as at the end of such fiscal year.

**Income Tax Matters**

**Each prospective investor should carefully review the risks, assumptions, limitations and caveats contained within this Offering with his, her or its own professional tax advisors and reach his, her or its own conclusion as to the merits and likely tax consequences of an investment in Units.**

**Use of Proceeds**

A portion of the proceeds of the Subscription Price for the Units will be applied to the fees payable to the Lead Sales Agent and the General Partner and to the expenses incurred by the General Partner in connection with the Offering. (See: “Expenses of the Partnership.”) The balance of the proceeds of the Subscription Price for the Units will be used by the Partnership to invest in Operating Entities.

**Risk Factors**

An investment in Units involves significant risks that prospective investors should carefully consider before making an investment decision. **Investors who are not willing to accept these risks should not proceed with an investment in the Units.** There are certain risks inherent in investing in the staging of Productions and theatre properties, due to the speculative and dynamic nature of such undertakings. (See: “Risk Factors”.)

**Rights of Action**

Securities legislation in certain Canadian provinces provides investors, in addition to any other rights they may have at law or equity, with rights of rescission or damages. In general, these rights are available where an offering memorandum, or any amendment to it, contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary to make any statement in it not misleading in light of the circumstances in which the statement was made. However, an investor must exercise such rights within prescribed time limits set out under applicable securities legislation in the province in which the investor is a resident. (See: “Purchasers Rights of Action for Damages or Rescission”.)

## DEFINITIONS

Unless otherwise defined herein, the following terms used in this Offering Memorandum shall have the respective meanings specified below:

**“Agents”** means, collectively, the Lead Sales Agent and any other agents or sub-agents appointed from time to time by the Partnership and/or the Lead Sales Agent, as the case may be.

**“Closing”** means the completion of the sale of Units by the Partnership to investors, from time to time.

**“Conditions of Closing”** means the conditions of a Closing set out under the heading “Conditions of Closing” in this Offering Memorandum.

**“Exhibition”** is an informative themed, museum-quality organized presentation and display of selected items housed in museums or large presentation spaces.

**“Extraordinary Resolution”** means a resolution of the Limited Partner adopted by at least 75% of the votes cast in respect thereof or a written resolution signed in one or more counterparts by Limited Partners holding 75% or more of the issued and outstanding Units.

**“Federal Tax Act”** means the *Income Tax Act* and the regulations thereunder, as amended from time to time.

**“General Partner”** means Yorkville Entertainment Management Inc., a corporation incorporated, organized and subsisting under the laws of the Province of Ontario.

**“Lead Sales Agent”** means Spotlight Capital Corp., appointed by the General Partner in respect of the Offering.

**“Limited Partner”** means a person who is recorded in the register of the Partnership as the holder of one or more Units.

**“New Meeting”** means a meeting of Limited Partners called as a result of an earlier meeting of such partners at which a quorum was not obtained.

**“NI 45-106”** means National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators, as the same may be amended, restated or supplemented from time to time.

**“Non-Qualified Person”** means a Limited Partner who is: (i) a “non-Canadian” within the meaning of the *Investment Canada Act*; (ii) a “non-resident”, “tax shelter”, “tax shelter investment”, or any entity an investment in which would be a “tax shelter investment” within the meaning of the Federal Tax Act; (iii) a partnership which is not a “Canadian partnership” within the meaning of the Federal Tax Act; or (iv) a partnership which does not prohibit investments by the Persons named in subsection (i) or (ii) above.

**“Offering”** means the offering of Units being conducted pursuant to this Offering Memorandum.

**“Offering Memorandum”** means this confidential offering memorandum of the Partnership, as the same may be amended, restated or supplemented from time to time.

**“Operating Entity”** means an entity formed under the laws of a province, territory or state of Canada, the United States or another jurisdiction to stage one or more Production(s), and will be entitled to earn revenues derived from the exploitation of such Production(s).

**“Operating Entity Agreement”** means, in connection with each Operating Entity, the ownership agreement to be entered by the owners of the Operating Entity, which shall govern the business and affairs of the Operating Entity (and may include a limited partnership agreement or shareholder agreement).

**“Operating Entity Interest”** means an ownership interest in an Operating Entity which shall have the rights and attributes as set out in the applicable Operating Entity Agreement.

**“Operating Entity Subscription Agreement”** means an agreement evidencing the subscription for an ownership interest in the capital of an Operating Entity by a subscriber therefore.

**“Partnership”** means Yorkville Entertainment No. 1 Limited Partnership, a limited partnership formed pursuant to the laws of the Province of Ontario.

**“Partnership Agreement”** means the limited partnership agreement of the Partnership to be entered into among the General Partner, the Special Limited Partner and the Limited Partners.

**“Production”** means an entertainment production, exhibition or other entertainment product being produced for commercial exploitation.

**“Profits”** or **“Losses”** means, in respect of any fiscal year of the Partnership, the amount of income or loss (including capital gains and capital losses) of the Partnership, respectively, for such fiscal year as determined by the General Partner in accordance with the Partnership Agreement, the Federal Tax Act and any applicable provincial income tax legislation.

**“Special Limited Partner”** means the holder of the Special LP Unit.

**“Special LP Unit”** means a special limited partner interest in the Partnership, entitling the holder thereof to a distribution of net income of the Partnership.

**“Subscription Agreement”** means the subscription agreement for Units to be entered into between each investor and the Partnership.

**“Subscription Price”** means an amount equal to \$1,000 per Unit.

**“Units”** means an equity interest in the capital of the Partnership, subscribed for by an investor pursuant to a Subscription Agreement and which shall have the rights and attributes set out in the Partnership Agreement.

## THE PARTNERSHIP AND THE GENERAL PARTNER

### The Partnership

The Yorkville Entertainment No. 1 Limited Partnership (the “**Partnership**”) will be formed as a limited Partnership under the laws of the Province of Ontario.

### The General Partner

The general partner of the Partnership is Yorkville Entertainment Management Inc. (the “**General Partner**”), a corporation incorporated pursuant to the laws of Ontario on January 27, 2005 and has been inactive since January 31, 2016. The General Partner has no material assets or liabilities. The head and registered office of the General Partner of the Partnership is located at 1200 Bay Street, Suite 1201, Toronto, Ontario, M5R 2A5. The General Partner is jointly owned by Algonquin Productions Ltd. (in turn owned by Michael Speyer) and Bernard Abrams Holdings No. 2 Inc. (in turn owned by Bernard Abrams). Mr. Abrams, who is the co-president of the General Partner, has been involved in limited partnership management since 1989, serving, directly or indirectly, as general partner in more than 160 film, television and live theatre syndications with aggregate offerings in excess of \$6.5 billion over the past 20 years. Mr. Speyer, who is also the co-president of the General Partner, previously handled all film and television and syndications for Paragon Entertainment (“**Paragon**”) and raised over \$500 million of financing for film, television and live theatre syndications subsequent to leaving Paragon in 1995. Prior to that, Mr. Speyer practiced tax for a major accounting firm, specializing in the entertainment industry. Mr. Abrams and Mr. Speyer have been involved as producers for a multitude of Productions both on and off Broadway, in Las Vegas as well as other major international cities over the past fourteen years.

The General Partner shall have the sole and exclusive authority to manage the operations and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. The General Partner shall have all the rights and powers which may be possessed by a general partner of a limited partnership formed pursuant to the laws of the Province of Ontario. The General Partner will exercise its powers and discharge its duties honestly, in good faith and in the best interest of the Partnership and will exercise the care, diligence and skill of a prudent and qualified administrator. However, the Partnership Agreement provides that the General Partner shall not be liable to the Limited Partners for any mistakes or errors in judgment, except negligence or wilful misconduct, or for any act or omission believed in good faith to be within the scope of authority conferred by the Partnership Agreement, or for any loss or damage to any of the property of the Partnership attributable to force majeure. An affiliate of the General Partner and Lead Sales Agent also acts as a general partner for a number of other limited partnerships that have invested in Productions through Operating Entities. (See: “Summary of Partnership Agreement” and “Conflicts of Interest”.)

### StageVentures

StageVentures Inc. (“**StageVentures**”), an affiliate of the General Partner, has acted as a producer of Productions and Exhibitions since 2004 and is indirectly owned by Messrs. Abrams

and Speyer. As a consequence of StageVentures' involvement in Productions and the Partnership's investment in Operating Entities, it is expected that StageVentures will be entitled to receive a fee from the Operating Entities in which the Partnership is invested equal to a negotiated percentage of the Partnership's investment in such Operating Entity. Any such fees paid to StageVentures shall only be payable from that portion of the profits of the Operating Entity allocated or payable to the Operating Entity's general partner or manager, as the case may be, and are not an expense of the Operating Entity nor shall they reduce the net income of the Operating Entity or the net income or profits of the Operating Entity payable to its owners, including the Partnership. In certain circumstances, StageVentures may also be granted the right of first negotiation to produce the Production or Exhibition in Canada, which it will utilize for the benefit of the Partnership. (See: "Conflicts of Interest".)

In the case of certain Productions, StageVentures, the General Partner or Messrs. Abrams and Speyer, in their individual capacities, may enter into negotiations with the holders of the underlying rights in respect of the Productions or other producers of the Productions to receive other credit and/or compensation. Any such compensation would only be payable from that portion of profits generated by the Productions and otherwise payable as per industry norms to underlying rights holders and/or the other producers of the Productions.

Prior to 2018, fourteen different limited partnerships, in which StageVentures has been involved as described above, have invested in and Messrs. Abrams and Speyer have co-produced the following live theatre productions: "Dirty Rotten Scoundrels", "Chita Rivera: the Dancer's Life", "Dr. Seuss' How The Grinch Stole Christmas! The Musical", "Lone Star Love", "Peepshow", "Finian's Rainbow", "Promises, Promises", "Wonderland", "How To Succeed In Business Without Really Trying", "On A Clear Day You Can See Forever", "Bonnie & Clyde", "Rock of Ages – Vegas", "Million Dollar Quartet – Vegas", "Arrabal", "Heathers the Musical", "50 Shades the Musical Parody – Vegas", the exhibition "Sea Monsters." "Mat Franco Magic Reinvented Nightly", "Heartbreak Hotel" and "Paul Zerden – Vegas." Note, however, that past performance is not necessarily indicative of future results, that future results are not guaranteed and no representation or warranty is made in respect of any future performance. The references above to particular productions that have been invested in, produced or co-produced by other StageVentures limited partnerships are for illustrative purposes only and should not be considered as an indication of the portfolio of Productions that the Partnership has or will be invested in through the Operating Entities.

## **THE BUSINESS OF THE PARTNERSHIP**

### **Business of the Partnership**

The business of the Partnership means the business of the Partnership, which shall be restricted to the acquisition and holding, directly or indirectly, of Operating Entity Interests, producing, co-producing or distributing the Productions of Operating Entities and other activities ancillary thereto. It is the intention of the Partnership to invest (through the investment in Operating Entities) in Productions that, in the General Partner's estimation, have the greatest chance for a long-term existence and possess the best qualities thereby providing the greatest potential for the

generation of both Production income and income derived from Subsidiary Rights (defined below).

### **Criteria for Selecting a Production**

The General Partner, in choosing a Production in which to invest through an Operating Entity, may take into account any or all of the following investment considerations (collectively, “**Investment Considerations**”):

- (a) the conclusions of any consultant regarding the proposed Production’s potential for revenue generation, including the exploitation of Subsidiary Rights and/or additional rights such as merchandising, soundtrack, streaming, etc.;
- (b) the extent to which the creative producers of the proposed Production have a proven track record with previous productions;
- (c) the extent to which the proposed Production has recognized names attached (*i.e.* cast, director, composer, bookwriter, *etc.*);
- (d) the Production’s potential for broad commercial appeal and success in the marketplace;
- (e) the extent to which investment in the Production has already been determined and/or committed to third parties;
- (f) the most favourable terms which can be negotiated for the Partnership’s involvement in the Production; and
- (g) the extent to which the Production has the potential to have a lengthy run, to generate revenues from Subsidiary Rights and/or has a reasonable opportunity to generate significant current-year profits.

In addition to the Investment Considerations noted above, the General Partner will only consider those Productions which meet the following requirements (the “**Investment Requirements**”), as applicable:

- (a) the proposed Production must demonstrate, to the satisfaction of the General Partner, evidence of sufficient financing of the obligations (excluding the financing to be provided by the Partnership) of the proposed Production and such financing must be available for use prior to the investment by the Partnership;
- (b) the General Partner has approved a budget and recoupment schedule for the applicable Production in form and substance acceptable to the General Partner;
- (c) the producers of the proposed Production must demonstrate, to the satisfaction of the General Partner, that they have the rights necessary to produce and exploit the proposed Production; and

- (d) the General Partner must be reasonably satisfied that commitments have been or will be obtained by the producers of the proposed Production from either theatres to stage the live theatre production, from major exhibition spaces for any exhibition or from any other third party responsible for the distribution of any entertainment product.

## **The Operating Entities**

Each Operating Entity will acquire the rights to stage one or more live staged productions, exhibit major exhibitions, distribute an entertainment product or participate in any other entertainment-related product that meets the required criteria as set out in this Offering Memorandum. A live staged production is a stage play, a musical or other theatrical property having an experienced director, production team and cast of performers, and is generally presented initially either on Broadway, in Las Vegas, London's West End theatre district or on another designated stage (which may be located in Canada, England, the United States or another country). A major exhibition is an informative themed, museum-quality organized presentation and display of selected items housed in museums or large presentation spaces. Other entertainment products could be, but are not restricted to, feature films or direct-to-digital films, the latter to be distributed in a digital marketplace and produced for a relatively low cost.

Each Operating Entity will be formed under the laws of a province, territory or state of Canada, the United States or another jurisdiction. The Operating Entity that stages a Production will directly or indirectly contract with talent and crew, and will be entitled to receive revenues from ticket sales to the performances or exhibition as well as from direct sales through internet accessible sites of the relevant Production.

For live staged productions, each Operating Entity, with the help of executive producers and general managers, will secure the services of the creative team for the Production, which may include the director, choreographer, musical arranger and orchestrators. A portion of the fee payable to the creative team is payable upon entering into a contract with each individual, with the balance usually paid prior to commencement of rehearsals: Subject to the terms of each individual deal, additional payments may be made by way of royalties based on a percentage of gross box office ticket sales. Each Operating Entity will also begin negotiations to secure a theatre in which to present the Production. Upon finalization of the creative team for the Production, each Operating Entity will engage a casting agent to begin the process of casting the Production. During this period, all set and costume designs will be finalized, and once approved contracts for their construction will be negotiated. Once the cast has been formed, rehearsals will commence, during which time musical, vocal and dance arrangements, if any, will be finalized. Group bookings of tickets for the performances are undertaken during this pre-opening period. Once the Production opens, each Operating Entity, together with stage managers and producers, will undertake the day-to-day operation of the staging of the Production, which will include the incurrance of weekly running expenses, for such items as actor, musician, and stage manager salaries, advertising costs, theatre rents, royalty payments, accounting, etc.

For major exhibitions, each Operating Entity will acquire the rights to produce the exhibition in a particular territory (usually, at a minimum, North America). These rights will usually include

many of the materials to be presented in the exhibition space. Any members of the creative team necessary to further theme the exhibition, including scripting the show, will also be contracted by each Operating Entity. Each Operating Entity will enter into agreements with museums and presentation venues in the contracted territories to formulate a tour of the exhibition. The length of the tour will be dependent on the success of the initial presentation of the exhibit.

For feature films, including direct-to-digital Productions, each Operating Entity will be responsible for funding only Prints and Ads costs associated with such films and will acquire a proportional interest in the Production(s). Each Production will be fully scripted, cast and financed by the producers of the Productions. Unlike traditionally distributed feature films, direct-to-digital features are initially distributed by way of the Internet through established sites, such as iTunes, and by way of attachment to social media outlets. Distribution of direct-to-digital Productions is primarily by digital downloads thus eliminating exhibition and distribution fees paid to third parties. Subsequent sales to cable, satellite and standard television outlets are also contemplated.

Each Operating Entity may produce one or more Productions and be entitled to earn revenues from the ticket sales to performances or showings of the relevant Production(s). In the course of the mounting and staging of a live-theatre Production, each Operating Entity will incur running costs, including royalties, cast/crew salaries and theatre or venue rental payments, as well as payments to authors and other creative personnel payable out of box office receipts or profits, which will be deducted from revenues earned by the applicable Operating Entity. The amount of such expenses will vary between Productions, depending on the nature of the Production and participants therein. (See: "Live Theatrical Production and Movie Industry".) In the event of a substantial budget overrun on a Production, an Operating Entity may have to seek additional financing from outside sources in order to mount the Production, in which event the repayment of such financing may be recouped in priority to any allocation otherwise payable to the investors in the Operating Entity.

Each Operating Entity may also be entitled (except possibly for certain revival productions of previously produced plays) to share in revenues from the exploitation of certain of the non-live stage rights in the play that is the subject of the Production in other media, which may include motion picture, radio, television, as well as touring, stock, and amateur productions of live theatre productions. In addition, depending on the success of a particular Production, the relevant Operating Entity could be entitled to earn additional revenues from the licensing of rights in respect of the Production for performance or exhibition in other markets. Also, depending on the success of a particular Production, the relevant Operating Entity could, but is not guaranteed to, be entitled to earn additional revenues from various services, including but not limited to, exploitation of music and/or merchandising rights and the licensing of rights in respect of the Production for performance in other markets ("**Subsidiary Rights**"). In some cases, Subsidiary Rights in respect of the performance of the Production may be acquired, directly or indirectly, by StageVentures. (See: "Conflicts of Interest".)

After payment of all expenses of each Operating Entity, including payment to any priority lenders and the payment of amounts into a royalty pool for rights holders and other persons or entities providing services in respect of the Production, the net profits from any Production will

be split between the limited partners of each Operating Entity, on the one hand, and producers' profit, on the other hand. The allocation will vary between Productions depending on the Production and the various elements and participants.

## **THE LIVE THEATRICAL PRODUCTION AND MOVIE INDUSTRY**

### **The Market**

Over the years there has been a fairly consistent increase in the public's appetite for live theatre throughout North America. Based on statistics published by The Broadway League, cumulative annual grosses for Broadway and touring productions for have increased by 80% and 61% respectively between 2008 and 2017. Over this same time period, there was a 13.5% increase in attendance on Broadway and a corresponding 18.9% increase in touring show attendance. A portion of the increased revenue is due to significantly higher prices, including premium tickets and other variable pricing techniques.

Unlike Broadway, individual show statistics for Las Vegas are not publicized. According to The Las Vegas Convention and Visitors Authority, during the last ten years, visitor volume has increased 12.6%. The recession that started in 2008 had a significant effect on all of Las Vegas. Since 2012, visitor volume has exceeded the 2007 peak and has grown steadily. Convention bookings are also up from the 2007 peak, showing an increase of 12.6% from 2008. With an increase in room nights occupied and a 10% increase in deplaned passengers over the last ten years, there is a large potential for an increase in theatre attendance in Las Vegas.

The live professional theatre business is generally made up of the production of existing musical ("revivals") and dramatic works and the development of new works for subsequent productions. The revenues of the industry are chiefly derived from the sale to audiences of tickets for such productions, though revenues may also be generated from film rights and other media sales. In general, musicals require more investment of time and capital than dramatic productions. For revivals, a period of 12 to 24 months typically elapses between the time a producer acquires the theatrical stage rights and the date on which the musical is first performed before the public. A longer period - on average up to three years but sometimes even five years - is required before a newly-created work is first publicly performed. The production budget in the United States for a major musical production, including pre-opening advertising costs, is typically in the range of US\$6 million to US\$12 million, depending on the nature of the production. Given the large costs which can be associated with mounting a production, there is usually more than one producer involved in any given production.

Generally, the first stage in producing a musical restoration or reproduction is the acquisition by the producers of the theatrical stage rights in the musical work created by a composer, lyricist and book writer who generally have already obtained underlying rights from the original author, if applicable (collectively, the "Authors"). In the case of a dramatic production, the producers must obtain the necessary rights from the Authors of the work on which the Production is to be based, or from the holder of theatrical stage rights in and to the work. As payment for these rights, the Authors typically are entitled to receive royalties calculated as a percentage of box office receipts. The producer then assembles all of the elements necessary to mount the

production, beginning with the engagement of the director. The producer and director, at times in collaboration with the Authors, select other key creative personnel such as the choreographer, set designer, costume designer, lighting designer, sound designer, orchestrator and dance music arranger, who are then engaged by the producer. At the same time, the producers will engage key business personal, starting with the general manager. The contractual arrangements with key creative personnel (other than principal performers except in rare circumstances) usually include royalties based on a percentage of box office revenues. Occasionally, a prominent author or director may negotiate participation in profits after recoupment of pre-production costs.

After the creative personnel have been identified and their services have been contracted, the principal actors are engaged by the producer. While offers may be put out to a handful of major stars based on their reputations, auditions and/or readings are held for all other cast members; casting decisions are made following the audition process. Supporting cast members are engaged in accordance with industry requirements and related work rules. During the pre-production phase, the producer must arrange or co-ordinate set construction, costume preparation, lighting and sound equipment (leased or purchased), rehearsal and theatre accommodation and generally develop the production to the point where the work can be performed as a production before a paying audience. Pre-production often includes a preview engagement of the production outside of the major centres to enable the creative personnel and cast to become comfortable with the staging arrangements and roles as well as several weeks of previews in the theatre. “Opening night” is generally defined as the night the various media press release their reviews to the public.

In addition to piecing together various aspects of the show, the producer must, well in advance of the opening of the show, arrange financing for the development and staging of the theatrical production and devise and execute a marketing plan for the production.

Expenses of developing a production that are incurred prior to the first performance of that production are usually described as pre-production costs. These costs include expenses for the pre-opening advertising, publicity and promotion, set construction, props, costumes and salaries and fees paid to cast, crew, musicians and creative constituents during rehearsals. Expenses incurred after the opening (press) performance are termed operating costs or running costs. Running costs include post-opening advertising, publicity and promotion, salaries of the cast, crew and musicians, equipment rental, theatre rental, royalties payable to the creative team and, after recovery of all pre-production costs, third-party profit participation, if any.

In live theatre, a production earns revenue only as each performance is presented. While tickets are usually sold well in advance of the performance date, the revenue from each advance ticket is offset by the contingent liability to refund the ticket price in the event of a cancelled performance.

Royalties payable to the Authors and to creative production personnel are generally calculated as a percentage (typically 10% to 20% in total) of box office receipts (being gross ticket sales revenue net only of taxes, credit card charges and other agreed deductions). Alternatively, Authors and creative talent can be rewarded on a profit pool basis, whereby they receive an agreed percentage of weekly operating profits (that is, box office receipts net of operating costs).

Profit pool arrangements can be structured in a variety of ways. Under a typical profit pool formula, the producer forms a royalty pool, allocates points within the pool to each of the participating creative personnel and assigns a cash-value to the points. A portion of the weekly production revenues, which is lower than the percentage of the gross allocable to creative personnel in the gross participating structure, is accumulated in the royalty pool and paid out on a weekly or monthly basis. The effect of this structure is to initially increase funds being returned to investors.

The cost of producing, marketing and presenting live theatrical stage productions is substantial and usually increases annually. The participation payable to creative and artistic personnel, which varies from production to production and fluctuates in accordance with the box office revenue earned by the production, reduces revenue available to form payment to persons financing theatrical productions or otherwise participating in gross revenues. The point in time at which aggregate operating profits from the production have grown to an amount equal to the pre-production costs is called recoupment and operating profits earned by the production thereafter are called production profits.

## **Productions**

A first-class production is typically defined as a stage play, musical, or other theatrical property having a first-class director, production team and cast of performers, and is presented in a first-class theatre. Such a production is typically presented initially either on Broadway in New York City, or in London's West End theatre district; however, there are several other first-class theatres throughout North America and other countries.

All theatrical properties presented on an Actors' Equity Broadway production contract in New York City are known as Broadway productions. The Broadway theatre district has approximately 39 theatres, less than half of which were built for musicals. Over the last few years, with musicals generating the largest attendance levels, several theatres have been reconfigured to accommodate them. In order to be considered a Broadway theatre, a theatre must have 500 or more seats. A production presented on Broadway, having a director, production team and cast and presented in a theatre, is known as a Broadway Production. In New York City, examples of theatres are the Shubert Theatre, the St. James Theatre, the Amsterdam Theatre, the Imperial Theatre, the Marquis Theatre and others.

After being staged as a Broadway or West End production, the theatrical property may subsequently be staged in other markets nationally and internationally. This happens both through a touring "road show" and through local producers who acquire the right, under license from the owner or controller of the licensing rights for the theatrical property, to stage a specific production of the theatrical property in a designated market. In Toronto, Canada, examples of theatres are the Royal Alexandra Theatre, the Ed Mirvish Theatre (formerly the Canon Theatre), and The Elgin Winter Garden Theatre. Recent productions staged in Toronto, either as touring road shows or by local producers under license, include *Book of Mormon* and *Kinky Boots*.

The inaugural production (or "**first run**") of a production is, as implied, the first exhibition of the production in its venue, commencing with opening night and running for as long as there is

an adequate demand for the tickets; the runs are open-ended. Inaugural productions will generally have more rights to more sources of income than revivals.

Off-Broadway refers to productions in New York where the theatre size is under 500 seats. Generally, these shows have capitalization amounts and running costs of one-third or less of Broadway shows. Additionally, many off-Broadway productions can have life expectancies that exceed those of the average Broadway production. It is becoming increasingly common for Broadway shows to move to off-Broadway as their attendance levels decrease in the larger theatres.

Shows presented in venues outside of New York City, such as in Las Vegas, tend to cost a fraction of the New York amount, both for the initial pre-production and for the running costs. Thus, breakeven attendance and cost figures are significantly less, as are the required investments.

### **Exhibitions**

In major cities throughout the world, thousands of museums, science centres and large exhibition spaces require a steady stream of event programming in order to maximize revenue and avoid having space lie dormant. Many of the larger museums and science centres bring in travelling exhibits as part of their offerings to their patrons and to generate additional revenue. The mandate of the exhibition spaces is to generate profit from the touring productions. The public has proven receptive to new, never-before-seen exhibitions which offer a high quality, informative experience.

Once an idea has been established for an exhibition, any necessary rights must be obtained, research conducted, and artifacts, if any, acquired. Sets must be constructed with the ability to be configured into various different-sized spaces. Advertising programs have to be created and marketing arrangements put into place. Venues must be identified, promotions and marketing initiatives implemented and a cost-effective tour planned. As well, arrangements for transporting the exhibits to the different venues must be arranged.

Revenues from exhibitions are generated from ticket sales and sponsorships. Additional revenue is derived from merchandise sales and from licensing additional versions of the exhibit for touring in other jurisdictions, either simultaneously or following after the initial run of the exhibition. As compared to live theatre productions, exhibitions are not as profitable, but have a more successful track record of providing a steady revenue stream for extended periods.

### **Feature Films**

The business of motion picture production is a world-wide industry; however; it is predominantly centered within North America. It encompasses the production and exhibition of feature length motion pictures as well as the subsequent distribution of the motion pictures in various ancillary markets including home video, pay, cable and free television, and via various internet-related distribution sites. The major studios generally own their own productions and have their own worldwide distribution organization. Independent producers, who have no direct

connection to the major studios, also produce feature films for the worldwide market raising funds from a variety of outside sources and distributing their product using non-affiliated distributors around the world.

Independent producers are able to make quality motion pictures at a fraction of the costs incurred by the major studios. Direct production costs consist of acquiring or developing the screenplay, studio or location rentals, cinematography, post-production costs and the compensation of all creative and production personnel. Distribution expenses, such as advertising and print or digital distribution costs, are not direct production costs but are recoverable by distributors out of revenues before taking a distribution fee. Major studios currently tend to produce large budget, special effects-laden, films in excess of \$100 million, as well as slightly smaller “lighter” films, whereas independent productions tend to be well under \$50 million.

Distribution of motion pictures now takes place over every type of visual media, from large theatre exhibitions to mobile phones. The timing of release to each viewing platform is different for all pictures and depends on a variety of factors including, but not limited to, leading actor(s) popularity, budget size, and genre. The distributor typically acquires the rights from the producer to distribute the motion picture in a particular market. For the rights the distributor may agree to advance the producer a minimum guarantee which will then be recoupable by the distributor from revenues generated from the distribution of the motion picture. The advances are generally non-refundable.

The size and success of the motion picture advertising campaign can materially affect the revenues realized from the release of the picture. The distributor generally enters into an agreement with each exhibitor and will earn a fee based on a percentage of the negotiated fee as well as recovery of advertising expenses.

The costs and expenses of production and distribution of motion pictures must be paid before investors share in the profits of the motion picture.

### **Direct-to-Digital Films**

Traditionally, feature films require stars to help try and reach as big an audience as possible. The larger the budget of the production, the bigger the star that can be attracted to act in the film. A combination of star power and studio clout helps in determining the marketing budget of the production and the number of screens that the feature will be released on. The movie exhibitor is entitled to a fee (generally around 5% of the box office) and then the net proceeds are collected by the distributor of the film in that particular territory. The distributor is then allowed to recover any expenses incurred as well as their distribution fee. The net amount is then passed on to the studio. The studio will then get to recover all other costs associated with the manufacture of the film, including interest on any amounts and then, usually, cross-collateralizes the production with other studio films. Hence, there is rarely a net profit distribution.

Direct-to-digital films operate quite differently. Initially they are made for a fraction of the cost of a major feature yet have excellent quality. Instead of the traditional stars, actors are utilized from the popular internet sites such as YouTube as well as up-and-coming actors who have yet to

star in a major production. These stars have large numbers of followers who, for the most part, have specifically signed up to be informed of everything that particular star is participating in. The films are marketed directly to those followers. Instead of going to theatres, the features are made available, starting on a particular date, to be downloaded directly to any digital device thereby bypassing the exhibitors and distributors used in the traditional model. This eliminates many of the fees in the traditional model. While not on the same scale as the large budget films, the percentage return can be significant and on a much smaller investment. Subsequent revenue will also be available from sales to standard television, other download sources such as iTunes, and cable and satellite services.

## **INITIAL PRODUCTIONS**

It is currently intended that the Partnership will invest through Operating Entities in two major Las Vegas productions: (1) the relocation and relaunch of “Criss Angel Mindfreak Live” and (2) “Nitro Circus.” Canadian investment in these two shows is exclusive to the Partnership. StageVentures, on behalf of the General Partner, has been able to negotiate a unique revenue and profit participation position, whereby the Partnership will receive revenue based on actual ticket sales. This will allow the Partnership the opportunity to make regular distributions of the Partnership’s net profits independent of actual profit earned by each show. Additionally, the shows are independent of each other and not cross-collateralized.

StageVentures is in the process of negotiating investments in several other productions in which the Partnership may invest.

### **Criss Angel Mindfreak Live**

Criss Angel Mindfreak Live is expected to open at the Planet Hollywood Resort and Casino in the soon to-be renamed Criss Angel Theater. The show will be the first of its kind; a fully immersive theatrical experience, featuring over 75 entirely new illusions, with more lights, sound, lasers and pyrotechnic displays and other special effects than any other production in Las Vegas. Mr. Angel has dominated the world of magic in Las Vegas for more than ten years, playing to an average of 90% capacity on a regular basis. With a move to the Planet Hollywood Resort and Casino, a new hotel in the centre of the Las Vegas Strip, and with an all-new show, it is expected that Mr. Angel will maintain or exceed his past performance. In addition to his branded Las Vegas presence, the show will be supported by a new national TV series.

### **Travis Pastrana’s Nitro Circus**

Travis Pastrana’s Nitro Circus, the world’s biggest action sports brand, in partnership with BASE Entertainment and Caesars Entertainment, is bringing its first-ever full throttle residence from leading international stadiums and arenas to the Bally’s Theater on the Las Vegas Strip.

Known for creating electrifying live events and unbelievable original content that exhilarates, captivates and inspires fans worldwide, the Nitro Circus production will feature the world’s most talented extreme sports athletes performing unique and spectacular tricks in an immersive theatrical extravaganza.

This 90-minute interactive show will be performed in and around the audience. Show segments will be routinely updated, and all stunts are live, so each show will be different to support repeat attendance. The show will feature a comedian host with live commentary and new and old stunts that have been presented to sold-out events in the U.S. and around the world. The show features a fully immersive lobby experience, open 24/7, to promote and invite audiences.

Nitro Circus is one of the biggest names in action sports entertainment on the planet as evidenced by the following: (i) over 776,000 total tickets sold in North America; (ii) projected to surpass one million tickets in 2018 in North America; (iii) US\$69.00 net average ticket price for a North American indoor show; (iv) US\$1 million in gross sponsorships per tour; and (v) US\$8.84 gross merchandising sales per head for indoor North American shows.

Nitro Circus has a larger social audience than MLB, MSL, NHL and NASCAR. It has a social reach of 230 million views per month with 2.1 million video views per day.

### **LIMITED PARTNERS AND DESCRIPTION OF THE UNITS**

Subscribers for Units will become Limited Partners. Each Limited Partner's percentage interest in the Units of the Partnership will be based upon the number of Units held in relation to the total number of issued and outstanding Units of the Partnership. A holder of Units will lose the benefit of limited liability if the holder takes part in the control of the business of the Partnership. If limited liability is lost, there is a risk that Limited Partners may be liable beyond their contribution and share of undistributed net income. (See: "Risk Factors".)

The Partnership is authorized to issue an unlimited number of Units. Investors will acquire Units and the Partnership, in turn, will invest the net proceeds from the sale of the Units to invest in Operating Entities. The Partnership will terminate the Offering on the earlier of the date on which it has determined that sufficient funds have been raised and, if applicable, prior to the opening of the first Production.

This Offering consists of an unlimited number of Units each of which entitles the holder thereof to the same rights and obligations as the holder of any other Units and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unit will entitle the holder to vote on all matters at meetings of Limited Partners. Neither the General Partner nor the Special Limited Partner, in their capacity as such, will be entitled to vote at a meeting of the Limited Partners. The Partnership will not issue fractional Units.

The Partnership will invest the net proceeds from the sale of the Units in Operating Entities. Each Operating Entity will stage one or more Production(s) or invest in a theatre property and will be entitled to earn revenues derived from the exploitation of such Production(s).

Material changes in the attributes of the Units must be approved by an Extraordinary Resolution unless otherwise set out in the Partnership Agreement. After an investor is admitted as a Limited Partner, the General Partner or the Lead Sales Agent will forward to the investor a statement setting out the particulars of the Units issued to such investor.

## SUMMARY OF PARTNERSHIP AGREEMENT

The rights and obligations of the Limited Partners are governed by the Partnership Agreement and the laws of the Province of Ontario and applicable legislation in each jurisdiction in which the Partnership carries on business. The following is a summary of the Partnership Agreement which is not intended to be complete and to the extent of any inconsistency contained in the Partnership Agreement and herein, the terms of the Partnership Agreement shall govern. Accordingly, prospective subscribers for Units are advised to review the Partnership Agreement carefully. A copy of the Partnership Agreement is available for review upon request.

### **Units**

The Partnership is authorized to issue an unlimited number of Units. No fractional Units shall be issued. The General Partner reserves the right to reject any subscription from investors, in whole or in part. The General Partner reserves the right to reject purchases by a non-Canadian within the meaning of the *Investment Canada Act* or a person who is a non-resident of Canada for the purposes of the Federal Tax Act and where the subscriber is a Non-Qualified Person (as defined in the Partnership Agreement).

Holders of Units will be entitled to a share, in proportion to their respective Units, of the profits of the Partnership, primarily derived from revenues generated by the Operating Entities. Each Unit entitles the holder to the same rights and obligations as the holder of any other Unit and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units.

The Partnership is also authorized to issue one Special LP Unit. The holder of the Special LP Unit will be entitled to a fixed share of the profits of the Partnership, primarily derived from revenues generated by the Operating Entities. The Special Limited Partner is an Affiliate of the General Partner.

### **Functions and Powers of the General Partner**

The General Partner has the sole and exclusive authority to manage the operations and affairs of the Partnership (including the right to delegate certain of such management functions at its discretion), to make all decisions regarding the business of the Partnership and to contractually bind the Partnership. The General Partner is responsible for providing administrative, clerical and other services required for the management and operation of the Partnership. The General Partner will exercise its powers and discharge its duties honestly, in good faith and in the best interest of the Partnership and will exercise the care, diligence and skill of a prudent and qualified manager. Among other restrictions imposed on the General Partner, it cannot dissolve the Partnership, wind-up its affairs or effect a transfer of all of its assets except in accordance with the provisions of the Partnership Agreement.

The authority and power vested in the General Partner to manage the business and affairs of the Partnership includes all authority to do or cause to be done any and all acts necessary,

appropriate or incidental to the business of the Partnership. It includes the authority to enter into contracts with others to render services to the Partnership, including professional services.

The General Partner is entitled to a fee of 2% of capital raised by the Partnership and to reimbursement for all reasonable costs and expenses that are incurred by it for and on behalf of the Partnership. See “Use of Proceeds”.

### **Limited Liability**

The Partnership was formed in order for Limited Partners to benefit from limited liability to the extent of their capital contributions to the Partnership and their *pro rata* share of the undistributed income of the Partnership. A holder of Units will lose the benefit of limited liability if the holder takes part in the control of the business of the Partnership.

The General Partner has unlimited liability for the liabilities and obligations of the Partnership. The General Partner has no significant financial resources or assets. In respect of the Partnership’s activities outside of the Province of Ontario, the Partnership will operate in such manner as the General Partner, on the advice of counsel, deems appropriate to ensure, to the greatest extent possible, limited liability to the Limited Partners.

If limited liability is lost or not recognized as described above, there is a risk that Limited Partners may be liable beyond their contribution and share of undistributed net income of the Partnership in the event of judgment on a claim in an amount exceeding the net assets of the General Partner and the Partnership and any available indemnities and insurance proceeds.

In all cases other than the possible loss of limited liability as outlined above, no Limited Partner will be obligated to pay any additional assessment on or with respect to the Units held or subscribed for. However, the Limited Partners and the Special Limited Partner may be bound to return to the Partnership such part of any amount distributed to them plus interest necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before the return of the contribution.

### **Meetings and Voting Rights**

Meetings may be called by the General Partner or at the request of Limited Partners holding at least 10% of the outstanding Units. Limited Partners present in person or by proxy representing at least 20% of the issued and outstanding Units and being at least one in number constitute a quorum. In the event that a quorum fails to be constituted within one hour of the time at which such meeting is duly called, such meeting shall be adjourned and a new meeting (the “**New Meeting**”) shall be scheduled by the General Partner, unless the original meeting was called at the request of Limited Partners in which case the meeting will be cancelled. In the event that the original meeting was called at the request of the General Partner, a quorum shall be constituted at the New Meeting by those Limited Partners present in person or by proxy at the New Meeting.

Votes may be cast by any Limited Partner at any meeting of the Partnership either personally or represented by proxy. Neither the General Partner nor the Special Limited Partner will be entitled to vote in its capacity as such, although though may vote as a Limited Partner in respect

of any Units held by it. Except in respect of matters requiring approval by Extraordinary Resolution, no resolution of the Partnership will be validly adopted unless such resolution receives the approval of a majority of the votes cast thereon in person or by proxy at a duly convened meeting of Limited Partners in respect thereof or by a written resolution signed in one or more counterparts by Limited Partners holding more than 50% of the issued and outstanding Units.

Although it is a limited partner of the Partnership, the Special Limited Partner shall not be entitled to vote at any meeting of the Limited Partners.

### **Accounting and Reporting**

The fiscal year end of the Partnership is December 31. The General Partner will make available to the Limited Partners all reports and financial statements which may be required under applicable securities legislation (subject to any available exemptions regarding financial reporting by partnerships) and, after the end of each fiscal year, a copy of an annual report containing financial statements of the Partnership. The General Partner may appoint accountants to assist in preparing the financial statements. In addition, the General Partner shall annually, on or before March 31 of each year, forward to each Limited Partner entered in the register of the Partnership at the end of the preceding fiscal year or, as the case may be, on dissolution, the information necessary for the Limited Partner to complete his or her income tax returns.

The General Partner will provide and maintain adequate and proper books of account and records reflecting the activities of the Partnership, including an individual capital account for each Partner and, either directly or through its registrar and transfer agent, a register listing all Limited Partners. A Limited Partner or such Limited Partner's duly authorized representative will have the right to examine the books and records of the Partnership during normal business hours at the offices of the General Partner.

### **Dissolution**

The Partnership will continue until December 31, 2100 unless wound up and dissolved earlier:

- (a) by Extraordinary Resolution;
- (b) on the date of any event which would make it unlawful for the Partnership Business to be continued;
- (c) on the date of the extinction, loss or disposition of all the assets of the Partnership;  
or
- (d) by the General Partner on notice to the Partners.

Upon the wind up and dissolution of the Partnership, the assets of the Partnership shall be sold or otherwise applied for the following purposes in the following order:

- (a) to pay and discharge all of the Partnership's debts and liabilities in the manner required by law;
- (b) to establish such reserves as the General Partner considers necessary for any contingent liabilities; or
- (c) to distribute any balance then remaining in the manner provided elsewhere in this Offering Memorandum.

(See: "Partnership Allocations and Distributions".)

Upon dissolution of the Partnership, the Limited Partners shall look solely to the assets of the Partnership for the return of their contribution to the capital of the Partnership. If the property of the Partnership remaining after the payment or discharge of the debts and liabilities of the Partnership to third parties is insufficient to return in full to the Limited Partners their contribution thereto, the Limited Partners shall have no recourse against the General Partner.

### **Amendments**

Subject to the following paragraph, the Partnership Agreement may only be amended with the consent of the General partner, the Special Limited Partner and the Limited Partners given by Extraordinary Resolution. No amendment can be made to the Partnership Agreement, however, which would have the effect of reducing the interest in the Partnership of the Limited Partners or the Special Limited Partner, increasing the liability of any Limited Partner or the Special Limited Partner, allowing any Limited Partner to exercise control over the business of the Partnership, limiting the right of a Limited Partner to vote at any meeting, changing the Partnership from a limited partnership to a general partnership, or amending the General Partner's right to appoint Agents.

The General Partner is entitled to make amendments, changes, or modifications to the Partnership Agreement or any other documents to which Limited Partners are a party, without the consent of the Limited Partners for the purpose curing an ambiguity or correcting or supplementing any provisions which may be defective or inconsistent with another provision, if such amendments changes or modifications do not, and will not, materially adversely affect the interests of any Limited Partner.

### **Replacement of General Partner**

The General Partner's partnership interest may not be sold, transferred or otherwise disposed of other than to a related entity without the consent of the Limited Partners given by Extraordinary Resolution. The General Partner may not resign without, among other things, appointing a replacement general partner of the Partnership. The General Partner may be removed by an Extraordinary Resolution, in circumstances where the General Partner has committed fraud or gross negligence.

## **Transfer of Units**

A Unit may be assigned, transferred, conveyed, gifted or otherwise disposed of by a Limited Partner if the following conditions are satisfied: (i) the General Partner has consented in writing to the transfer from the transferor to the transferee, which consent may be unreasonably withheld; (ii) the transferor has delivered to the General Partner an executed transfer of the Units in such form as is acceptable to the General Partner; (iii) the transferee has agreed in writing to be bound by the terms of this Agreement, to make the certain representations set out in the Partnership Agreement and to assume the obligations of the Limited Partner under the Partnership Agreement in respect of the Unit being transferred to it; (iv) the transferee pays such costs, expenses and disbursements, including legal fees, as are reasonably incurred by the Partnership by reason of the transfer; and (v) such other requirements as may be required by law or may reasonably be required by the General Partner; provided that a transferee of a Unit will not become a Limited Partner in respect of that Unit until all filings and recordings required by law to validly effect a transfer have been duly made as referred to herein. In addition, Units may only be transferred pursuant to applicable securities legislation.

All of the Units of a Limited Partner who becomes a Non-Qualified Person shall be deemed to have been purchased for cancellation by the Partnership immediately prior to the time at which the Limited Partner became a Non-Qualified Person. On any such purchase by the General Partner, the price shall be 95% of the fair market value of the purchased Units, as determined by the General Partner. The Non-Qualified Person acknowledges and agrees that such purchase price may, in the discretion of the General Partner, be made by way of a non-interest bearing promissory note, payable two years after the issuance thereof. Notwithstanding the foregoing or any other provision of the Partnership Agreement, the Partners acknowledge and agree that the General Partner may allocate Profits and Losses to such Non-Qualified Person in any manner which the General Partner deems advisable or appropriate.

## **Power of Attorney**

The Partnership Agreement includes an irrevocable power of attorney authorizing the General Partner on behalf of a Limited Partner to execute, among other things, all instruments necessary to effect the dissolution of the Partnership as well as any elections, determinations or designations with respect to the affairs of the Partnership, including its dissolution, or with respect to a Limited Partner's interest in the Partnership, including appropriate tax elections or designation forms.

## **PARTNERSHIP ALLOCATIONS AND DISTRIBUTIONS**

At any time or times during any fiscal year of the Partnership, the General Partner may specify that cash amounts shall be distributed to the Partners on account of profits earned by the Partnership ("**Distributable Cash**") in such fiscal year from its investment in Operating Entities. Any amounts so distributed to the Partners in any fiscal year shall be distributed as to 0.01% to a maximum of \$100 to the General Partner, as to 5% to the Special Limited Partner and as to the balance to the Limited Partners (other than the Special Limited Partner) pro rata in accordance with the number of Units held by each of them as at the date of distribution. Notwithstanding the

foregoing, neither the Limited Partners nor the Special Limited Partner may draw or receive a payment of a share of the profits or other compensation by way of income from the assets of the Partnership if the draw or the payment would reduce the assets of the Partnership to an amount insufficient to discharge the liabilities of the Partnership to any person who is not a Limited Partner or the Special Limited Partner.

Where Profits in a fiscal year are less than or equal to the aggregate amount of Distributable Cash paid or made payable to Partners in such fiscal year, the Partners shall be allocated Profits in the same proportion as Distributable Cash was paid or made payable to them in such fiscal year.

Where Profits in a fiscal year are greater than the aggregate amount of Distributable Cash paid or made payable to Partners in such fiscal year, the Partners shall be allocated Profits in an amount equal to the amount of Distributable Cash paid or made payable to them in such fiscal year, and the balance of Profits shall be allocated to each Limited Partner pro rata in accordance with the number of Units held by it as at the end of such fiscal year.

Losses of the Partnership in a fiscal year will be allocated to each Limited Partner in the same proportion as the capital contributed by such Limited Partner to the Partnership in that fiscal year bears to the capital contributed by all Limited Partners in that fiscal year. If there are no capital contributions made in a fiscal year, Losses will be allocated to each Limited Partner pro rata in accordance with the number of Units held by it as at the end of such fiscal year.

The Partnership may distribute Distributable Cash in cash or such other form of consideration, including an assignment of ownership interests of Operating Entities.

## **OPERATING ENTITY ALLOCATIONS AND DISTRIBUTIONS**

It is expected that cash flow generated by each Operating Entity from its activities will be distributed: (i) *pari passu* to all owners of the Operating Entity, including the Partnership, until recovery of their initial investment in the Production; and (ii) thereafter, after payment of any amounts owing in respect of any profit or royalty pools, to the general partner or manager of the Operating Entity and to owners of Operating Entity Interests, including the Partnership, in negotiated percentages.

## **INCOME TAX CONSIDERATIONS**

**Each prospective subscriber for Units should obtain advice from his or her own professional advisor as to both the Canadian federal and provincial and United States or other income tax consequences of the subscription, ownership and disposition of Units.**

## **SUBSCRIPTION FOR UNITS**

In order to purchase Units, an investor must complete and deliver to an Agent the following: (i) a duly completed and signed subscription agreement (the “**Subscription Agreement**”), including the Accredited Investor Certificate attached thereto; (ii) a completed “Know Your Client” form; and (iii) a cheque (or, in the sole discretion of the General Partner, two or more cheques),

payable to the order of Yorkville Entertainment No. 1 Limited Partnership, in the aggregate amount of the subscription price for the Units equal to \$1,000 per Unit (the “**Subscription Price**”).

Cheques representing the Subscription Price will be cashed by the Partnership following receipt. Funds from cashed cheques shall be held by the Partnership until the Conditions of Closing (as hereinafter defined) have been satisfied. The General Partner may, in its sole discretion, terminate the Offering at any time. In the event of such a termination, all funds advanced by investors in connection with the Offering and all uncashed cheques tendered for the Offering shall be returned to the investors by the General Partner without interest or deduction. (See: “Conditions of Closing” and “Plan of Distribution”.)

### **AGENTS**

The General Partner will enter into the Agency Agreement pursuant to which the Lead Sales Agent will agree, among other things, to act as the lead sales agent in respect of the Offering. The Lead Sales Agent may appoint sub-agents to assist with the Offering.

Pursuant to the Agency Agreement, the General Partnership will pay the Lead Sales Agent a fee equal to 13% of capital raised. The Lead Sales Agent will pay any fees of any sub-agents. The General Partner has also agreed, pursuant to the Agency Agreement, to indemnify the Agents and their directors, officers and employees against certain liabilities.

The Lead Sales Agent is an affiliate of the General Partner. (See: “Conflicts of Interest”.)

### **USE OF PROCEEDS**

A portion of the proceeds of the Subscription Price for the Units will be applied to the fees payable to the Lead Sales Agent and the General Partner and to the expenses incurred by the General Partner in connection with the Offering. (See: “Expenses of the Partnership.”) The balance of the proceeds of the Subscription Price for the Units will be used by the Partnership to invest in Operating Entities.

### **EXPENSES OF THE PARTNERSHIP**

The General Partner is entitled to reimbursement from the Partnership for all reasonable costs and expenses that are incurred by the General Partner on behalf of the Partnership in the ordinary course of the business of the Partnership or incidental to acting as general partner of the Partnership. Subject to the foregoing, the General Partner will pay all of its own normal operating expenses (including employee salaries, rent and communications expenses).

The Partnership will pay all its own expenses including, without limitation: (i) organization and capital raising costs of the Fund; (ii) direct expenses of acquiring the Operating Entity Interests; (iii) legal, accounting, audit, custodial, consulting and other professional fees; (iv) banking, brokerage, broken-deal, registration, qualification, finders, depositary and similar fees or commissions; (v) transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of Operating Entity Interests; (vi) costs of preparation and delivery

of financial statements and other reports; (vii) insurance, indemnification and other expenses of operating the Partnership; (viii) extraordinary expenses such as litigation; and (ix) travel and other expenses incurred in investigating or evaluating investment opportunities, or monitoring investments in Operating Entities.

### **PLAN OF DISTRIBUTION**

The Partnership will be offering the Units for sale through the Agents to investors resident in Ontario pursuant to subsection 73.3(2) of the *Securities Act* (Ontario) (the “**OSA**”) and in Alberta and British Columbia and Nova Scotia pursuant to the accredited investor exemption under National Instrument 45-106 *Prospectus Exemptions* (“**NI 45-106**”). In order to purchase Units, investors must satisfy the criteria for qualifying as an “accredited investor” as such term is defined in the OSA and NI 45-106, respectively, which criteria is also set out in the Subscription Agreement. Prospective investors are directed to consult with their professional advisors prior to subscribing for Units.

The Subscription Price for the Units was determined by the Board of Directors of the General Partner on behalf of the Partnership. All subscriptions received will be subject to acceptance or rejection in whole or in part by the General Partner on behalf of the Partnership. Large subscriptions for Units may be given priority. If a subscription is rejected, the General Partner will promptly return to the investor all documents and cheques representing subscription funds without interest or deduction.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum in connection with the Offering. If given or made, such information or representations must not be relied upon as having been authorized by the Partnership.

The contents of this Offering Memorandum are confidential and any distribution or disclosure of this Offering Memorandum other than to the investor’s professional advisors without the prior written consent of the General Partner is prohibited.

Since the Offering is being conducted on a private placement basis, no securities commission or securities regulatory authority in Canada has reviewed this Offering Memorandum or in any way passed upon the merits of the Units offered hereunder.

### **CONDITIONS OF CLOSING**

No Closing shall occur until:

- (a) the Partnership Agreement has been duly executed and delivered and is valid and subsisting as at the date of the Closing;
- (b) a Subscription Agreement (including the Accredited Investor Certificate attached thereto) duly executed by the investor has been delivered to an Agent and accepted by General Partner on behalf of the Partnership;

- (c) one or more cheques have been delivered by the investor to the General Partner, payable to the order of “Yorkville Entertainment No. 1 Limited Partnership”, in the aggregate amount of the Subscription Price for the Units equal to \$1,000 per Unit;
- (d) the Investment Requirements in respect of the Production(s) have been satisfied;
- (e) copies of the following or similar documents in respect of the applicable Production have been received by the Partnership:
  - (i) the Operating Entity Agreement; and
  - (ii) the Operating Entity Subscription Agreement;
- (f) if the Partnership proposes to invest in an Operating Entity not carrying on business, or located in, Canada or the United States, the General Partner shall have received such assurances as it deems appropriate regarding the income tax implications of such investment; and
- (g) any other forms or documents that are required under applicable securities legislation have been duly completed and signed.

Notwithstanding the foregoing, the General Partner may waive any of the foregoing conditions provided that in the circumstances of any such waiver, the General Partner has determined that such waiver is in the best interests of the Partnership.

### **MATERIAL CONTRACTS**

The Partnership Agreement, the Agency Agreement, the Operating Entity Subscription Agreements and the Operating Entity Agreements in respect of the Operating Entities are the material contracts which have been or will be entered into by the Partnership in connection with this Offering.

### **LEGAL PROCEEDINGS**

The Partnership is not the subject of any legal proceedings nor is the Partnership aware of any material litigation involving the Partnership or its assets.

### **CONFLICTS OF INTEREST**

Sales of Units will be made through Agents, and may be made through the Lead Sales Agent, an affiliate of the General Partner. The directors, officers and indirect shareholders of the General Partner are also directors, officers and indirect shareholders of the Lead Sales Agent. Accordingly, the Partnership may be considered a “related issuer” and “connected issuer” of the Lead Sales Agent as such term is defined in National Instrument 33-105 *Underwriting Conflicts*. The decision to distribute Units, including the determination of the terms of the Offering, was

made by the Partnership through negotiations with the Lead Sales Agent. The Special Limited Partner is an Affiliate of the General Partner.

The Partnership Agreement provides that the Partnership will pay the General Partner a fee equal to 3% of capital raised. Pursuant to the Agency Agreement, the Partnership will pay a fee of 13% to the Lead Sales Agent. The Lead Sales Agent will pay any fees of any sub-agents. The Lead Sales Agent is an affiliate of the General Partner.

StageVentures, an affiliate of the General Partner, has acted as a producer of Productions and Exhibitions since 2004 and is indirectly owned by Messrs. Abrams and Speyer. As a consequence of StageVentures' involvement in Productions and the Partnership's investment in Operating Entities, it is expected that StageVentures will be entitled to receive a fee from the Operating Entities in which the Partnership is invested equal to a negotiated percentage of the Partnership's investment in such Operating Entity. Any such fees paid to StageVentures shall only be payable from that portion of the profits of the Operating Entity allocated or payable to the Operating Entity's general partner or manager, as the case may be, and are not an expense of the Operating Entity nor shall they reduce the net income of the Operating Entity or the net income or profits of the Operating Entity payable to its owners, including the Partnership. In certain circumstances, StageVentures may also be granted the right of first negotiation to produce the Production or Exhibition in Canada, which it will utilize for the benefit of the Partnership.

In the case of certain Productions, StageVentures, the General Partner or Messrs. Abrams and Speyer, in their individual capacities, may enter into negotiations with the holders of the underlying rights in respect of the Productions or other producers of the Productions to receive other credit and/or compensation. Any such compensation would only be payable from that portion of profits generated by the Productions and otherwise payable to underlying rights holders or the other producers of the Productions.

An affiliate of the General Partner and the Lead Sales Agent also acts as a general partner for a number of other limited partnerships that have invested in Productions through Operating Entities.

## **RISK FACTORS**

**The Offering is speculative in nature and is not intended as a complete investment program. A subscription for Units involves a number of risk factors and should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Partnership. INVESTORS SHOULD REVIEW THESE RISK FACTORS WITH THEIR LEGAL AND FINANCIAL ADVISORS and should consider, in addition to the factors set forth elsewhere in this Offering Memorandum, the following:**

## **Investments in Entertainment Productions**

There are certain risks inherent in investing in the pre-production, staging and performance of live theatre productions, feature films and exhibitions. This type of investment may be affected by various factors apart from the quality of the product itself, including general and local economic conditions, the ability of producers, financiers and licensees to meet their commitments, the number, type and quality of programming competing for consumer attention, critical reviews, public taste and new and developing technologies. Productions may face intense competition from other live theatre productions, feature films and exhibitions within the same community. Even if a Production is a critical success, there is no assurance that it will be a commercial success. It is impossible to accurately predict how long a Production will run or the ultimate success of any live theatre production. The cost of developing, marketing and presenting all entertainment productions is substantial. Royalties payable to creative and artistic personnel vary according to the commercial terms negotiated for the particular Production, and fluctuate in accordance with the box office revenue earned by the Production. These variations will reduce the revenue available for distribution to investors in the Production. Operating Entities compete with other producers of for the directors, actors and creative personnel whose participation is essential for a successful production. There can be no assurance that the Operating Entities will be able to successfully compete in order to obtain the services of such individuals.

Factors such as labour disputes, death or disability of a star performer, shortages of necessary equipment, the loss of a theatre or any force majeure event may cause cost overruns and delay or hamper a production of live theatre. In the event of a substantial budget overrun, an Operating Entity may have to seek additional financing from outside sources in order to mount a Production. There is no assurance that such additional financing will be available or, if available, that it will be on terms which are acceptable. In any event, the Operating Entity generally reserves the right at all times to abandon any Production.

## **Performance Risk**

The production of live theatre involves a number of specific risks and unforeseen difficulties. Insurance will be obtained in accordance with the general practices of the live theatre stage production industry, naming the Operating Entity (and possibly the Partnership), as co-insureds or additional named insureds as their interest may appear. However, all insurance is limited in nature and amount and there can be no guarantee that the insurance obtained will be sufficient. Accordingly, there is a risk that insurance proceeds payable to an Operating Entity in respect of a Production may not be sufficient to reimburse such Operating Entity for amounts expended by it in respect of the production of such Production.

## **Return on Investment**

There are no assurances that distributions of revenues from any Operating Entity will be sufficient to allow holders of Units to recoup the entire cost of the Units. In addition, there can be no assurance that distributions of revenues from such Operating Entity will occur.

## **Foreign Investment Risk**

To the extent that the Partnership invests in non-Canadian Operating Entities, the Operating Entities may not follow certain standards that are applicable in Canada, such as accounting, auditing, financial reporting and other disclosure requirements. Political climates may differ, affecting stability and volatility in foreign markets. As a result, the value of Units may fluctuate to a greater degree by investing in foreign entities than if the Partnership limited its investments to Operating Entities operating in Canada or the United States.

## **Market for Units**

There is currently no market for the Units and it is not anticipated that any market will develop. Limited Partners are also limited by restrictions on the resale of their Units which are imposed by applicable securities legislation and the Partnership Agreement. The disposition of a Unit will also be subject to certain income tax consequences. (See: “Summary of Partnership Agreement - Transfer of Units”.)

## **Limited Partners Liability**

The Limited Partners have limited liability for the liabilities and obligations of the Partnership to the extent of their respective capital contributions to the Partnership plus their respective shares of undistributed income of the Partnership. A holder of Units will lose the benefit of limited liability if the holder takes part in the control of the business of the Partnership. There is a potential for unlimited liability of limited partners with respect to limited partnerships operating, owning property or incurring obligations in a jurisdiction other than that in which it was formed without being registered as a limited partnership in that jurisdiction.

## **Liability for Capital Distributions**

A Limited Partner who receives a return of its contribution to the Partnership may be liable to the Partnership, or where the Partnership is dissolved, to its creditors, for any amount, not in excess of the amount returned, with interest, to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before the distribution of capital.

## **Cash Distributions and Allocations**

No assurance can be given that cash distributions will be made to investors, or as to the amount thereof. Moreover, in any fiscal year, the amount of income allocated to an investor for income tax purposes may exceed the cash distribution to such holder and may result in a liability to pay income taxes in excess of the cash amount received by such holder from the Partnership.

## **No Independent Legal Review and Potential Conflicts of Interest**

This Offering Memorandum and certain of the documents relating to the Offering have only been reviewed by counsel on behalf of the Partnership and the General Partner. As a result, investors will not have the benefit of having the Offering Memorandum and certain other documents relating to the Offering reviewed by independent legal counsel acting only for the Agents and/or

the investors. Each prospective investor should consult with his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Partnership.

### **Limited Financial Resources**

The financial resources of the General Partner are nominal and, accordingly, may not be able to satisfy obligations of the General Partner in the transactions contemplated herein. Further, the General Partner does not have an obligation to make any loans or advances to the Partnership or to contribute any funds in excess of the capital contribution made by it, even if the failure to do so would result in a default in one or more of the Partnership's obligations.

### **Potential Conflicts of Interest**

The Partnership may be subject to various conflicts of interest because of the fact that the General Partner, StageVentures, the Lead Sales Agent, and their respective directors, officers and associates, including Messrs. Abrams and Speyer, are engaged in a wide range of theatre production and other business activities. The Partnership may become involved in transactions which conflict with the interests of the foregoing. The foregoing persons may from time to time deal with persons, firms, institutions or corporations with which the Partnership may also be dealing. In such circumstances, the interests of General Partner, StageVentures, the Lead Sales Agent, and their respective directors, officers and associates, including Messrs. Abrams and Speyer, could conflict with those of the Partnership. An affiliate of the General Partner and Lead Sales Agent acts as general partner to limited partnerships that have invested in Productions through Operating Entities which may compete with the Productions of the Operating Entities in which the Partnership is invested. The Special Limited Partner is an Affiliate of the General Partner. (See: "Conflicts of Interest".)

### **Funding Deficiencies**

Other than as outlined above, no investor shall be obligated to pay any additional assessment on its interest in the Partnership. However, if, as a result of a distribution by the Partnership, the Partnership's capital is reduced and the Partnership is unable to pay its debts as they become due, the investors may have to return to the Partnership any such distributions received by them to restore the capital of the Partnership. If the Partnership does not have sufficient funds to meet its obligations and must default because the deficiency is not funded, investors may lose their entire investment in the Partnership.

### **Charges to the Partnership**

The Partnership is obligated to pay legal, accounting, filing and other expenses regardless of whether the Partnership realizes profits.

### **Potential Indemnification Obligations**

Under certain circumstances, the Partnership might be subject to significant indemnification obligations in favour of the General Partner or the Lead Sales Agent or certain parties related to

them. The Partnership will not carry any insurance to cover such potential obligations and, to the General Partner's knowledge, none of the foregoing parties will be insured for losses for which the Partnership has agreed to indemnify them. Any indemnification paid by the Partnership would reduce the Partnership's value and, by extension, the value of the investor's interest in the Partnership.

### **Tax Consequences of Becoming a Non-Qualified Person**

If a Limited Partner becomes a Non-Qualified Person, including where a Limited Partner becomes a non-resident for the purposes of the Federal Tax Act, the General Partner shall be deemed to have purchased such Limited Partner's Units for cancellation by the Partnership immediately prior to the time at which the Limited Partner became a Non-Qualified Person. On any such purchase by the General Partner, the price shall be 95% of the fair market value of the purchased Units. The General Partner may allocate Profits or Losses to such Non-Qualified Person in any manner which the General Partner deems advisable or appropriate.

### **Tax Considerations**

The Canadian federal and provincial income tax treatment of the Partnership has a material effect on the advisability of investing in the Units. There is no assurance that income tax laws will not be changed in a manner that will alter the income tax consequences to investors.

### **Form of Investment**

Investors will be required to make certain representations, including the representation that the investor is not a "tax shelter", a "tax shelter investment", an entity, an investment in which is a "tax shelter investment" within the meaning of such terms in the Federal Tax Act or a partnership which does not prohibit investment by the foregoing persons. Investors will also be required to represent that they have not borrowed on a line of credit or demand loan or otherwise incurred any debt to purchase their interest in the Partnership which would constitute a "limited-recourse amount" within the meaning of the Federal Tax Act. Based on such representations, it is the position of the General Partner that the Partnership and an investment therein is not a "tax shelter" or a "tax shelter investment" as such terms are defined in the Federal Tax Act, and as such has not obtained a tax shelter identification number for the Partnership. If, however, it is determined that the Partnership or an investment therein is a tax shelter, because no tax shelter identification number has been obtained, any losses of the Partnership, which would otherwise flow to the partners of the Partnership, will not be available.

The amount of any business or property loss of the Partnership for any year allocated to any partner in the Partnership will generally be deductible by the partner in computing its income for a taxation year only to the extent of the partner's "at-risk amount" in respect of the Partnership at the end of the taxation year.

### **Resale Restrictions**

The Units are being distributed pursuant to exemptions from the prospectus requirements under applicable securities legislation. The resale of these securities by investors is subject to

restrictions. An investor should refer to applicable provisions in consultation with a legal adviser. Furthermore, no transfers may be affected unless the General Partner, in its sole discretion, approves the transfer and the proposed transferee. Subscribers are advised to consult with their advisers concerning restrictions on resale and are further advised against reselling their interest in the Partnership until they have determined that any such resale is in compliance with the requirements of applicable legislation and the limited partnership agreement governing the Partnership.

### **Absence of Management Rights**

While Limited Partners have voting rights with respect to certain matters, they will not take part in the operation or management of the Partnership's business. In this regard, investors are relying on the good faith, experience and expertise of the General Partner which are important to the success and profitability of the Partnership.

### **Limited Operating History**

Although all persons involved in the management and administration of the Partnership have significant experience in their respective fields of specialization, the Partnership has a limited operating or performance history upon which prospective investors can evaluate the Partnership's likely performance.

### **Not a Public Mutual Fund**

The Partnership is not a mutual fund within the meaning of applicable Canadian securities legislation and is not subject to the securities regulatory restrictions placed on public mutual funds to ensure diversification and liquidity of the Partnership's assets.

### **Currency Fluctuations**

Since the expenses and the revenue of the Operating Entities may be incurred or received in United States currency and possibly other foreign currencies, fluctuations in the value of the United States dollar and other foreign currencies relative to the Canadian dollar could result in the incurring of currency exchange losses. The effect of exchange rate fluctuations upon future results cannot be predicted.

**The foregoing statement of risks does not purport to be a complete explanation of all the risks involved in investing in the Partnership. Potential investors should review this entire document and consult with their legal, tax and financial advisers, before making a decision to invest.**

### **PURCHASERS' RIGHTS OF ACTION FOR DAMAGES OR RESCISSION**

Securities laws in certain jurisdictions of Canada provide purchasers, in addition to any other rights they may have at law, with rights of action for damages or rescission if an offering memorandum, such as this Offering Memorandum, or any amendment to it and, in certain cases, advertising and sales literature used in connection therewith, contains a misrepresentation.

However, these rights must be exercised by the purchaser within the time limits prescribed by the applicable securities legislation. Each purchaser should refer to the provisions of the applicable securities legislation for a complete text of these rights and/or consult with a legal advisor.

The following is a summary of the statutory rights of action for damages or rescission available to purchasers resident in the Province of Ontario. This summary is subject to the express provisions of the applicable securities legislation of such jurisdiction and the regulations, rules and policy statements thereunder, and reference is made thereto for the complete texts of such provisions. The rights of action described below are in addition to, and without derogation from, any other right or remedy that a purchaser may have under applicable laws.

### **Purchasers Resident in Ontario**

Securities laws of Ontario provide that, subject to the following paragraph, a purchaser resident in Ontario shall have, in addition to any other rights the purchaser may have at law, a right of action for damages or rescission against the Partnership and a selling security holder on whose behalf the distribution is made if an offering memorandum, such as this Offering Memorandum, contains a “misrepresentation” (for the purposes of this section, as defined in the *Securities Act* (Ontario)) (the “OSA”), without regard to whether the purchaser relied on the misrepresentation. Purchasers should refer to the applicable provisions of the Ontario securities laws for particulars of these rights or consult with a lawyer.

OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* provides that, when an offering memorandum is delivered to a prospective purchaser in connection with a distribution made in reliance on the “accredited investor” prospectus exemption in section 2.3 of NI 45-106, the rights of action referred to in section 130.1 of the OSA (“**Section 130.1**”) will apply in respect of the offering memorandum unless the prospective purchaser is:

- (a) a Canadian financial institution, meaning either:
  - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

- (d) a subsidiary of any person referred to in paragraphs (a), (b) and (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary.

Subject to the foregoing, Section 130.1 of the OSA provides a purchaser who purchases Units offered by this Offering Memorandum during the period of distribution with a statutory right of action for damages or rescission against the Partnership and a selling security holder on whose behalf the distribution is made in the event that the Offering Memorandum or any amendment to it contains a “misrepresentation”, without regard to whether the purchaser relied on the misrepresentation. A “misrepresentation” is defined in the OSA as an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. A “material fact”, when used in relation to securities issued or proposed to be issued, is defined in the OSA as a fact that would be reasonably expected to have a significant effect on the market price or value of the securities. In the event that this Offering Memorandum, together with any amendment to it, is delivered to a purchaser of Units and this Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the Units, the purchaser will have statutory right of action for damages against the Partnership and a selling security holder on whose behalf the distribution is made or, while still the owner of the Units, for rescission against the Partnership and a selling security holder on whose behalf the distribution is made, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Partnership and a selling security holder on whose behalf the distribution is made, provided that:

- (a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;
- (b) no person or company will be liable if he, she or it proves that the purchaser purchased the Units with knowledge of the misrepresentation;
- (c) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon;
- (d) no person or company will be liable for a misrepresentation in “forward-looking information” (as defined in the OSA) if he, she or it proves that:
  - (i) the Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the forward-looking information, and a statement of

material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

- (ii) it had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (e) in no case will the amount recoverable exceed the price at which the Units were offered to the purchaser; and
- (f) the right of action for damages or rescission is in addition to, and does not derogate from, any other right or remedy the purchaser may have at law.

### **Rights for Purchasers in Nova Scotia**

Under Nova Scotia securities legislation, a purchaser resident in Nova Scotia who purchases securities offered by an offering memorandum that is sent or delivered to such purchaser resident in Nova Scotia will have, subject to certain limitations and statutory defences, a statutory right of action for damages against the issuer, every person who signed the offering memorandum and every director of the issuer or, while still the owner of the securities, for rescission against the issuer, in the event that the offering memorandum contains a misrepresentation at the time of purchase, without regard to whether the purchaser relied on the misrepresentation. A similar right is provided in respect of advertising or sales literature, on which a purchaser is deemed to have relied. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, no person will be liable. No action to enforce a right of rescission may be commenced more than 180 days after the date of the transaction that gave rise to the cause of action; or in the case of any action other than an action for rescission, the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. Notwithstanding the foregoing, no action to enforce the foregoing rights may be commenced more than 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made, where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

### **Purchasers Resident in Alberta or British Columbia**

If this Offering Memorandum, or any amendments thereto, contains a misrepresentation, a purchaser resident in Alberta or British Columbia who purchased Units under this Offering Memorandum will not be entitled to the statutory rights of action described above. However, in consideration of purchasing Units under this Offering Memorandum and upon acceptance by the General Partner of the purchaser's subscription in respect thereof, purchasers in those jurisdictions are hereby granted a right of action for damages or rescission that is the same as the

statutory rights of action described above provided to purchasers resident in Ontario under the OSA.

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