



ETHICAL INVESTMENT CHECKLIST

EVOLVE
OPPORTUNITY FUND LP.

Ethical investments

We feel that it is your right to have investments that can be clearly understood; investments that work for you; investments that are fair. We call these Ethical Investments and we believe in giving you the knowledge of what to ask and what to look for to identify them. When you are empowered with this system, it will be easy to find your path to financial freedom.

The Ethical Investment System, is a powerful tool designed to put you in the drivers seat. It has been developed through several years experience reviewing over 45 sets of legal documents and business models of different investment companies, and investing over \$100,000 on the best legal and tax advice.

Through our research we have determined 7 Investment Fundamentals which are essential to understand before making an investment. This system will eliminate the fear and uncertainty that you may feel when presented with an investment opportunity, and will allow you to make a clear and informed decision.

7 investment fundamentals

Each fundamental has sub-points which are expanded upon in the investment checklist:

Investment structure

- Corporation, limited partnership, or real estate investment trust (REIT)
- Public or private entity
- New or ongoing investment

Exit strategy

- How and when do I exit
- Transfer rights
- Market to buy and sell units

Profitability

- Payback and rate of return
- Financial forecasts
- Taxation

Security and transparency

- Limited liability
- Financial audit and review
- Unit or stock value calculation
- Fee disclosure

Track record

- Investment manager experience and history
- Performance of past projects
- Client testimonials and references

Investment manager incentives

- Vested interest
- Accountability
- Performance based pay
- Conflicts of interest

Business Plan

- S.M.A.R.T. objectives
- Risk factors identified

What do we mean by ethical?

Ethical investments start with a set of core values that are exemplified by the managers who provide the investment. Being ethical in this industry represents a triple bottom line approach – one that factors in environmental, societal, and economic concerns. Being ethical can also speak to the level of contribution that the investment and its managers provide to the world as a whole. What positive difference are they making, while also providing healthy returns for you?

Consider the following:

- ✓ What kind of community involvement does the company have?
- ✓ What contributions to charity are on behalf of the company? Are they coming directly from the investment managers, or the fund?
- ✓ Do the investment managers engage in philanthropy or donate time to charity?
- ✓ Does the company have a clear environmental policy in place?
- ✓ When speaking with the company, what do your instincts tell you? As Warren Buffet would say, "Do you like them, trust them, and respect them?"

Be an informed investor

When selecting an investment that is not listed on the public stock exchange, otherwise known as a private investment, there are a number of things to consider. These investments can be a great vehicle to earn above average returns, but can often impose higher levels of risk. It's important to be informed and ask the right questions.

1) Investment structure

Corporation, limited partnership, or real estate investment trust (REIT)

- ✓ What type of security would I be purchasing? Debt or equity?
- ✓ Is this a Limited Partnership unit, corporate bond, corporate stock, or REIT unit?
- ✓ Are preferred shares used?
- ✓ Are there different classes that can be purchased?

Public or private entity

- ✓ Is this investment traded publicly on a stock exchange?
- ✓ If private, how many investors do you currently have?

New or ongoing investment

- ✓ How much capital has been raised in this investment?
- ✓ Have unit values been adjusted to reflect current market conditions?
- ✓ How and when are unit values established?

2) Exit strategy

How and when do I exit

- ✓ What is the investment term?
- ✓ When and how will I get my principal and profit back?

Transfer rights

- ✓ Will my investment be transferable to another party, company, or trust I own?
- ✓ What happens in the event of a death?

Market to buy and sell units

- ✓ Is there any liquidity with this investment?
- ✓ Can I sell my units or stock to anyone?
- ✓ Will the investment manager buy back units from investors?

3) Profitability

Payback and rate of return

- ✓ What rate of return can I expect to earn in this investment? Is this compounded or simple?
- ✓ How many years will it take to earn back my principal investment?
- ✓ How and when am I paid? Is it a lump sum at the end, periodic payments, or fixed interest?
- ✓ If distribution payments are made, where do these payments come from? Are they based on increased cash flow from operations or from other investors capital?
- ✓ Are all investors treated equally or can some get paid and others not?

Financial forecasts

- ✓ How did the investment manager come up with the forecasts? What are these estimates based on?
- ✓ Can I obtain a copy of the financial statements to review with my financial advisor?
- ✓ Do the financials have safe conservative reserves in place?
- ✓ Has the investment manager accounted for best, expected and worst case scenarios?
- ✓ Does the investment manager have any previous financials posted on SEDAR or the Securities Commission?

Taxation

- ✓ Is this investment structured to take full advantage of local tax laws?
- ✓ Are there any tax write-offs?
- ✓ How will my profit be taxed?

4) Security and transparency

Limited liability

- ✓ How am I shielded from financial risk and legal liability?

✓ What kind of insurance, guarantee, or contingency fund does the investment manager have in place?

✓ What is protecting my investment? Is my investment backed by tangible assets?

Financial audit and review

- ✓ Can I inspect the investment manager's books with my accountant at any time during the investment period?
- ✓ Will an annual audit or review engagement be completed?
- ✓ When will I receive financial statements for my annual tax purposes?

Unit or stock value calculation

- ✓ How are unit/stock values calculated?
- ✓ Is an independent third party used to calculate the portfolio value or is the portfolio value determined by the investment manager?

Fee disclosure

- ✓ How does the investment manager make money?
- ✓ What are the investment manager's fees and what are they used for?
- ✓ Does the investment manager have any "special use" fees that are not clearly disclosed?

5) Track record

Investment manager experience and history

- ✓ Describe your formal qualifications? What is your experience?
- ✓ What types of investments are you registered to sell?
- ✓ Have you ever been investigated by any securities commission or other regulatory body?

Performance of past projects

- ✓ How have your projects performed in the past?
- ✓ What was the average rate of return?
- ✓ Did you meet your timelines?
- ✓ Are you still working with the same team?
- ✓ Has your investment strategy changed?

Client testimonials and references

- ✓ Could I see some client testimonials?
- ✓ Can you put me in touch with some of your previous clients?

Questions to ask references:

- ✓ How long have you worked with this investment company?
- ✓ How satisfied are you with their performance?
- ✓ Have you ever been disappointed or surprised by anything in your relationship?
- ✓ How often do you hear from them regarding your investment?
- ✓ How quickly are your calls or inquiries returned?

6) Investment manager incentives

Vested Interest

- ✓ Does the investment manager have their own money in this project?
- ✓ If I lose all my money what will happen to the investment manager personally?
- ✓ Are members of the investment manager's family or close friends invested in this project?

Accountability

- ✓ What type of liability does the investment manager carry?
- ✓ Does the investment manager have to provide personal guarantees?
- ✓ Can a new investment manager be elected through a majority vote?

Performance based pay

- ✓ When does the investment manager make the majority of their money? Is it paid on the front or through a trailer on the back?
- ✓ Does the investment manager make money when I make money? Is it win-win?
- ✓ Are salaries drawn from the investment?
- ✓ When it is time to pay out profit, who gets paid first?

Conflicts of interest

- ✓ What kinds of fees can be expensed back to the investment?
- ✓ Is there a clear expense policy in place?
- ✓ Does the investment manager contract out to non-arm's length vendors?
- ✓ Does the investment manager have more than one investment going?
- ✓ How are selection and distribution of assets dealt with?
- ✓ Does the investment manager intend to sell previously owned assets or companies into the investment pool?

7) Business Plan

S.M.A.R.T. objectives

- ✓ Does the investment have clear objectives and detailed plans to achieve them?
- ✓ Are the investment's goals aligned with my goals?
- ✓ Does the investment manager have a clear value creation strategy that is current with economic times?
- ✓ Does the investment manager have the financial and human resources to achieve your objective?

Risk factors identified

- ✓ Is the success of the investment dependent on one or several key people? Is there a succession plan in place?
- ✓ Are there any changing rules or regulations that might affect the success of this investment?
- ✓ Who regulates this investment industry? Is the investment manager up to date with all the rules and regulations?

Utilizing Evolve's Ethical Investment System will help you discern important information about any potential investment opportunity, and ensure that it fits your needs and risk profile.

This system is not intended to be a replacement for the professional advice that a registered advisor can provide, but rather a supplement to guide your understanding.

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