# CRC Royalty Corporation.

# Financial Statements
# September 30, 2015
# (expressed in Canadian dollars)

**Unaudited Interim Financial Statements**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3), the Corporation discloses that these interim financial statements have not been reviewed by the auditors. The accompanying unaudited interim financial statements have been prepared by and are the responsibility of Management of the Corporation.

Readers are cautioned that these statements may not be appropriate for their purposes.

# CRC Royalty Corporation

## Condensed Interim Statements of Financial Position
## (Unaudited)

| (Expressed in CDN dollars) | Notes | | **September 30, 2015** | | December 31, 2014 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash | | $ | **129,213** | $ | 188,086 |
| Prepaid Expenses | | | **-** | | 1,204 |
| | | | **129,213** | | 189,290 |
| Non-current assets | | | | | |
| Investments | 4 | | **11,061,750** | | 14,749,000 |
| | | $ | **11,190,963** | $ | 14,938,290 |
| **Liabilities and Shareholders' Equity** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | $ | **118,936** | $ | 143,841 |
| Income tax payable | | | **643,782** | | 631,755 |
| | | | **762,718** | | 775,596 |
| Non-current liabilities | | | | | |
| Deferred tax liability | 5 | | **4,731,548** | | 6,353,797 |
| | | | **5,494,266** | | 7,129,393 |
| Shareholders' deficiency | | | | | |
| Share capital | 6 | | **30,762,008** | | 30,762,008 |
| Deficit | | | **(25,065,311)** | | (22,953,111) |
| | | | **5,696,697** | | 7,808,897 |
| | | $ | **11,190,963** | $ | 14,938,290 |

Going Concern *(note 2)*

See accompanying notes to the condensed interim financial statements.

**Approved by the Board of Directors**

(signed) Hugh Cartwright Director

(signed) Shane Doyle Director

# CRC Royalty Corporation

## Condensed Interim Statements of Income and Comprehensive Income
## (Unaudited)

| (Expressed in CDN dollars) | Notes | | **Three months ended September 30, 2015** | | Three months ended September 30, 2014 | | **Nine months ended September 30, 2015** | | Nine months ended September 30, 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | | |
| Distribution income | | $ | **84,280** | $ | 326,585 | $ | **526,750** | **$** | 916,545 |
| | | | **84,280** | | 326,585 | | **526,750** | | 916,545 |
| Expenses | | | | | | | | | |
| Impairment | | | **3,687,250** | | - | | **3,687,250** | | - |
| Professional fees | | | **17,032** | | 39,641 | | **90,800** | | 53,398 |
| Filing fees | | | **(2,200)** | | 4,222 | | **5,517** | | 8,409 |
| General and administrative | | | **1,072** | | 53,629 | | **14,791** | | 83,906 |
| Registrar and transfer agent | | | **192** | | 18,977 | | **13,112** | | 25,237 |
| | | | **3,703,347** | | 116,469 | | **3,811,470** | | 170,950 |
| Income before income taxes | | | **(3,619,067)** | | 210,116 | | **(3,284,720)** | | 745,595 |
| Current tax | | | **68,775** | | 33,000 | | **154,749** | | 122,838 |
| Current refundable taxes | | | **18,219** | | 79,023 | | **101,902** | | 133,110 |
| Recovery of current RDTOH - dividends | | | **(18,219)** | | (79,023) | | **(101,902)** | | (133,110) |
| Deferred tax | | | **(1,637,961)** | | (16,251) | | **(1,622,249)** | | - |
| | | | **(5,188,252)** | | 16,749 | | **(1,467,500)** | | 122,838 |
| Loss and comprehensive loss for the period | 5 | $ | **(2,049,881)** | $ | 193,367 | $ | **(1,817,220)** | **$** | 622,757 |
| Basic and diluted shares outstanding | | | **2,107,000** | | 2,107,000 | | **2,107,000** | | 2,107,000 |
| Basic and diluted income per share | | $ | **-0.97** | $ | 0.09 | $ **-** | **0.86** | **$** | 0.30 |

See accompanying notes to the condensed interim financial statements.

# CRC Royalty Corporation

## Condensed Interim Statements of Changes in Shareholders' Equity
## (Unaudited)

| (Expressed in CDN dollars) | Notes | | Share Capital | | Deficit | | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | | $ | 30,762,008 | $ | (22,796,458) | $ | 7,965,550 |
| Total comprehensive income for the period | | | - | | 622,756 | | 622,756 |
| Dividends | | | - | | (679,598) | | (679,598) |
| Balance at September 30, 2014 | | $ | 30,762,008 | $ | (22,853,300) | $ | 7,908,708 |
| | | | | | | | |
| Balance at December 31, 2014 | | | 30,762,008 | | (22,953,111) | | 7,808,897 |
| Total comprehensive income for the period | | | - | | (1,817,220) | | (1,817,220) |
| Dividends | | | - | | (294,980) | | (294,980) |
| **Balance at September 30, 2015** | | **$** | **30,762,008** | **$** | **(25,065,311)** | **$** | **5,696,697** |

See accompanying notes to the condensed interim financial statements.

# CRC Royalty Corporation

## Condensed Interim Statements of Cash Flows

## (unaudited)

| (Expressed in CDN dollars) | Notes | Three months ended September 30, 2015 | Three months ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|---|---|---|---|---|---|
| Cash provided by (used in): | | | | | |
| Operating activities | | | | | |
| Net income for the year | | **$ (2,049,881)** | $ 193,368 | **$ (1,817,220)** | $ 622,756 |
| Non-cash items: | | | | | |
| Impairment | | **3,687,250** | - | **3,687,250** | - |
| Deferred income tax expense | | **(1,637,961)** | (16,251) | **(1,622,249)** | - |
| | | **(592)** | 177,117 | **247,781** | 622,756 |
| Change in non-cash w orking capital | | **14,138** | (254,749) | **(11,674)** | (224,366) |
| | | **13,546** | (77,632) | **236,107** | 398,390 |
| Financing activities | | | | | |
| Dividends paid | | **(42,140)** | (237,068) | **(294,980)** | (679,598) |
| | | **(42,140)** | (237,068) | **(294,980)** | (679,598) |
| Increase in cash | | **(28,594)** | (314,700) | **(58,873)** | (281,207) |
| Cash - beginning of period | | **157,807** | 415,790 | **188,086** | 382,297 |
| Cash - end of period | | **$ 129,213** | $ 101,090 | **$ 129,213** | $ 101,090 |

See accompanying notes to the condensed interim financial statements.

## 1. General information

CRC Royalty Corporation ("CRC" or the "Company") was incorporated under the laws of the Province of British Columbia on October 5, 2011 as a wholly owned subsidiary of WCSB Oil & Gas Royalty Income 2009 Limited Partnership ("LP"). The address of the principal place of business is Suite 808, 609 Granville Street, Vancouver, BC, Canada, V7Y 1G5.

The Company was created to affect a transaction outlined in the July 26, 2011 "Restructuring Agreement" whereby the former partners of the LP became the majority shareholders of CRC Royalty Corporation. When the LP was dissolved, CRC became the ultimate parent Company and took on the reporting requirements from the LP.

As part of the Corporate restructuring, CRC Royalty Corporation changed its major business activities from holding Royalties in oil and gas properties to holding Royalty Units of Caledonian Royalty Corporation ("Caledonian").

## 2. Basis of Presentation and Going Concern

***Statement of compliance***

These interim financial statements are unaudited and prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board and do not include all of the information and disclosures required for full annual financial statements and should read in conjunction with the Company's financial statements for the year ended December 31, 2014.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 30, 2015.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee and adopted by the Chartered Professional Accountants ("CPA"). The CPA recognizes IFRS as the Canadian generally accepted accounting principles for publicly accountable enterprises.

*Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the Company's investment in royalty shares which are measured at fair value. The method used to measure fair values as discussed in note 9.

*Functional and presentation currency*

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

*Use of estimates and judgements*

The following are critical judgements apart from those involving estimates (see below), that management has made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognized in these financial statements.

(i) Common Shares

The company has determined that it does not hold significant influence over Caledonian Royalty Corporation ("Caledonian") and therefore the common shares have been recognized at fair value.

Key sources of estimation uncertainty:
The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing adjustments to the carrying amounts of assets and liabilities.

(ii) Valuation of common shares
Common shares are revalued at each reporting date using recent sales of Caledonian common shares as the fair value of the common shares.

(iii) Income taxes
Tax Provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgement as to whether or not there will be sufficient taxable profits available to offset tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period which the change occurs.

*Going concern*

These condensed interim financial statements have been prepared by management on a going concern basis with the assumption that the Company will continue for the foreseeable future and will be able to meet its obligations to continue operations.

The Company had a loss and comprehensive loss of $1.81 million for the period ended September 30, 2015 and has an accumulated deficit of $25.07 million at September 30, 2015. The deficit was primarily created by losses on royalty units which is a non-cash item and does not affect the Company's positive cash from operating activities. The Company does however rely on distributions from Caledonian which are uncertain to continue as the distributions are at the discretion of Caledonian's Board of Directors, see also note 10. Therefore, there is material uncertainty that casts significant doubt as to the ability of the Company to continue as a going concern.

These condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Therefore the Company may be required to realize its assets and discharge its liabilities in other that normal course of business at amounts different from those reflected in the accompanying condensed interim financial statements.

## 3. Significant Accounting Polices

The accounting polices set out below have been applied consistently to all periods in these financial statements, and have been applied consistently by the Company.

### (a) Common shares or Equity Investments

Common shares are carried on the Company's books at fair value. The Company accounts for changes in the carrying value through profit or loss.

### (b) Impairment

**Financial Assets:**
A financial asset is assed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in group that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

### (c) Revenue recognition

The Company recognizes distribution income when the right to receive payment is established.

### (d) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it related to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, any adjustments to tax payable in respect of previous years.

Deferred tax is recognized providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets and liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based in the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a largely enforceable right to offset, and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(e) Financial instruments**

*Non-derivative financial instruments*
Non-derivative financial instruments comprise cash, accounts payable and accrued liabilities. These financial assets have been recognized at amortized cost other than the royalty units which are recognized at fair value through profit or loss. These financial liabilities have been classified as liabilities recognized at amortized cost. Non- derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

*Share capital*
Common shares are classified as equity. Incremental costs directly attributable to the issues of common shares and share options are recognized as a deduction from equity, net of any tax effects.

In 2011 the Company early adopted IFRS 9, Financial Instruments, with a date of initial application of January 1, 2010. The new standard replaces the current multiple classification and measurement model for non-equity financial assets and liabilities within a single model that has only two classification categories: amortized cost and fair value. Classification depends on the entity's business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument.

In addition, the fair value option for financial liabilities was amended. The changes in fair value attributable to a liability's credit risk will be recorded in other comprehensive income rather than through net income, unless the presentation creates an accounting mismatch. Changes in fair value attributable to financial liability's credit are not substantially reclassified to net income.

For investments in equity instruments which are subject to control, joint control, or significant influence, on initial recognition IFRS 9 allows an entity to irrevocably elect classification at "fair value through profit or loss" or "fair value through other comprehensive income".

**(f) Foreign Currency Translation**

The functional and reporting currency of the Company is the Canadian dollar. Transaction in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit and loss.

**(g) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

**(h) Business combinations**

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of closing. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit and loss. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

**(i) Per share amounts**

Basic income (loss) per share is calculated by dividing profit or loss attributable to common shareholders of the Company by weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common share outstanding for the effect of dilutive instruments such as options granted.

## 4. Investment

| | **Period ended September 30, 2015** | | Year ended December 31, 2014 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of Royalty units | Amount |
| | | **$** | | $ |
| Opening Balance | 2,107,000 | 14,749,000 | 2,107,000 | 14,749,000 |
| Impairment | - | ( 3,687,250) | - | - |
| Closing balance | 2,107,000 | 11,061,750 | 2,107,000 | 14,749,000 |

On January 21, 2015, Caledonian held a special meeting of its Royalty Unitholders at which a special resolution was passed authoring the redemption of all outstanding Royalty Units and the issuance of one common share of Caledonian in exchange for each Royalty Unit. As a result, all Caledonian Royalty Units held by the Company have been redeemed and the Company has received Caledonian shares in exchange.

At September 30, 2015, the Company assessed the carrying amount of its investment in Caledonian for indicators of impairment such as differences between the carrying amount and the present value of the discounted estimated future cash flows. As a result, the recoverable amounts for the investment in

Caledonian were reduced by $3,687,250. The Company determined the fair value to be $5.25 per share.

## 5. Share Capital

### (a) Authorized

The Company is authorized to issue an unlimited number of common shares.

### (b) Issued and outstanding

| | **September 30, 2015** | | December 31, 2014 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| Balance, beginning and end of period | 2,107,000 | $ 30,762,008 | 2,107,000 | $ 30,762,008 |

## 6. Related Party Transactions

### (a) Caledonian Royalty Corporation

Caledonian Royalty Corporation ("Caledonian") and CRC Royalty Corporation are related because CRC owns 13.84% of the outstanding common shares in Caledonian. CRC received two distributions from Caledonian for the three month period ended September 30, 2015 totaling $84,280 (three month period ended September 30, 2014: $326,585).

### (b) CADO Bancorp Ltd.

CADO Bancorp Ltd. and CRC are related through common managers and directors. There were no related party transactions for the period ended September 30, 2015.

## 7. Capital Management

CRC Royalty Corporation is structured to return the majority of income to shareholders by paying a monthly dividend. The Company previously received distributions on Caledonian royalty units on the 15th of every month and then paid dividends by the end of each month. Unfortunately, the decline in oil and natural gas prices over the past year has adversely affected Caledonian's cash flow. To conserve cash during this process, the Board of Directors of Caledonian has resolved to defer distributions.

CRC defines capital as Shareholders' equity and working capital based on the financial statements. CRC manages its capital structure taking into account operating activities and dividend payments. The Company also considers changes in the economic conditions, commodity prices and the risk associated with the Company's assets.

The monthly dividends to shareholders are derived by subtracting the monthly operating requirements from the distributions received. The remaining funds are paid out as dividends. The monthly dividends are not cumulative and are subject to approval by the Board of Directors.

## 8. Financial Instruments

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include credit risk, liquidity risk, market risk, commodity risk, and interest rate risk. These risks are outlined more fully below.

### (a) Fair value of financial instruments

The Company's financial instruments as at September 30, 2015 include cash, common shares and accounts payable and accrued liabilities.

The Company presents information about financial instruments measured at fair value in accordance with a three-level hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The following tables provide fair value information for financial assets as at September 30, 2015 and December 31, 2014.

| **As at September 30, 2015** | **Carrying Amount** | **Impairment** | **Fair Value** | **Significant unobservable inputs (Level 3)** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Investment in common shares** | **14,749,000** | **(3,687,250)** | **11,061,750** | **11,061,750** |

| As at December 31, 2014 | Carrying Amount | Impairment | Fair Value | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Investment in royalty units | 14,749,000 | - | 14,749,000 | 14,749,000 |

Level 1 – quoted prices are available in active markets for identical assets or liabilities;

Level 2 – pricing inputs other than quoted prices in active markets included in level 1, which are observable directly and/or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

CRC's investment is classified under level 3 of the fair value hierarchy. The fair value is determined by considering the recent purchases of newly issued Caledonian common shares by third party investors. The fair value of the investment as at September 30, 2015 is $11,061,750 (December 31, 2014 - $14,749,000).

**(b) Determination of Fair Values**

Cash, accounts receivable and accounts payable and accrued liabilities

The fair value of cash, accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

*Common shares*

The fair value of the company's common shares are measured using price that Caledonian was selling units to willing third parties.

**(c) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's distributions from its royalty units. As at September 30, 2015, the maximum credit exposure consisted of the Company's cash outstanding of $129,213. The Corporation believes the credit risk associated with the cash and cash equivalents is limited due to the credit quality of the financial institutions with which the funds are held.

**(d) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual budgets and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due.

Accounts payable are considered due to suppliers in one year. As at September 30, 2015, the Corporation estimates its total accounts payable to be due within one year. As described in note 2, the Company relies on distributions from Caledonian which are not guaranteed and may impact the Company's ability to settle its liabilities.

**(e) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Company's net earnings or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. CRC has not utilized any financial derivative contracts to manage market risks.

**(f) Foreign currency exchange risk**

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. While all of the Company's distribution income is denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. Fluctuations in the value of the United States dollar compared to the

Canadian dollar can affect distribution income and cash flow. The Company had no forward exchange contracts in place as at September 30, 2015 to mitigate this foreign exchange risk.

**(g) Commodity price risk**

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The value of the royalty units and the level of distribution income is dependent upon the underlying commodity which is the price of oil and gas, therefore, the value of the asset and level of income could change due to changes in the prices of the commodities. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian dollar and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. The Company has no derivative contracts to mitigate commodity price risk as of September 30, 2015.

**(h) Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is indirectly exposed to interest rate fluctuations as distribution income will be impacted. The Company has no interest rate swaps at September 30, 2015.

**9. Litigation disclosure**

The Company and others have filed a Notice of Claim against Caledonian Royalty Corp. ("Caledonian") and others claiming for damages suffered by reason of, among other things, breach of contract, breach of warranty, negligence and breach of fiduciary obligations on the part of the defendants, including acts and omissions relating to the 2011 Restructuring Agreement pursuant to which the Company received Caledonian Royalty Units from Caledonian in exchange for the royalty producing assets of three limited partnerships (the "**WCSB LPs**"), and those persons who were then Limited Partners of the WCSB LPs received shares of the Company in exchange for their Limited Partnership Units. A significant portion of the damages for which compensation is sought are a result of Caledonian's continuing breach of its contractual covenant to list Caledonian securities on a recognized stock exchange in Canada allowing CRC Shareholders the ability to liquidate their investment. Accordingly, the legal proceedings have been brought on behalf of and for the benefit of the CRC shareholders, and CRC and the other plaintiffs have entered into an agreement providing for a statutory Plan of Arrangement to achieve the result that the net benefits derived from the proceedings will accrue to the CRC shareholders and not to the plaintiffs. The CRC shareholders approved and adopted that Arrangement at a general meeting held on April 14, 2015.