

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement, together with the accompanying short form base shelf prospectus to which it relates dated September 19, 2014, as amended or supplemented, and each document incorporated by reference into the short form base shelf prospectus and into this prospectus supplement, constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. These securities may not be offered or sold in the United States and this prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. See "Plan of Distribution" in this prospectus supplement.

Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Mosaic Capital Corporation at 400, 2424 - 4<sup>th</sup> Street SW, Calgary, Alberta T2S 2T4, Telephone (403) 218-6500, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## PROSPECTUS SUPPLEMENT TO THE SHORT FORM BASE SHELF PROSPECTUS DATED SEPTEMBER 19, 2014

New Issue

December 15, 2014



**Mosaic Capital Corporation**  
**\$11,801,400**

**347,100 Units**  
**\$34.00 per Unit**

This prospectus supplement (the "**Prospectus Supplement**") and the accompanying short form base shelf prospectus dated September 19, 2014 (the "**Base Prospectus**") qualifies the distribution (the "**Offering**") of up to 347,100 units (the "**Units**") of Mosaic Capital Corporation ("**Mosaic**") at a price of \$34.00 per Unit (the "**Offering Price**"). Each Unit consists of two preferred securities in the capital of Mosaic (each, an "**Offered Preferred Security**" and, collectively, the "**Offered Preferred Securities**") and one common share in the capital of Mosaic (each, an "**Offered Common Share**" and, collectively, the "**Offered Common Shares**"). The Base Prospectus, as supplemented by this Prospectus Supplement, also qualifies the distribution of the Offered Preferred Securities and Offered Common Shares comprising the Units.

The terms and conditions of the Offered Preferred Securities to be issued pursuant to the Offering will be governed by the indenture dated April 29, 2011 (the "**Preferred Securities Indenture**") and will bear the same terms as the issued and outstanding preferred securities of Mosaic (the "**Preferred Securities**") which are traded on the TSX Venture Exchange (the "**Exchange**") under the symbol "M.PR.A". On December 12, 2014, the last trading day prior to the date of this Prospectus Supplement, the closing price of the Preferred Securities on the Exchange was \$10.25. See "**Trading Price and Volume**" in this Prospectus Supplement.

The outstanding common shares of Mosaic (the "**Common Shares**") are traded on the Exchange under the symbol "M". On December 12, 2014, the last trading day prior to the date of this Prospectus Supplement, the closing price of the Common Shares on the Exchange was \$12.07. See "**Trading Price and Volume**" in this Prospectus Supplement.

The Offered Preferred Securities are undated, perpetual securities having no fixed maturity date or redemption date. Each Offered Preferred Security carries an entitlement to a monthly distribution in the amount of \$0.0833 (\$1.00 per annum) which is payable monthly in arrears on or about the 15th day of the succeeding month. The first monthly distribution on the Offered Preferred Securities to be issued in connection with the Offering will

be paid on or about the 15th day of the month following the month in which they are issued. Monthly distributions are cumulative but may be indefinitely deferred by Mosaic. For Canadian income tax purposes, the monthly distribution in respect of the Offered Preferred Securities is considered interest income in the hands of the recipient. The Offered Preferred Securities are unsecured and subordinated obligations of Mosaic ranking *pari passu* among themselves but subordinated and postponed to all of Mosaic's senior indebtedness. The Offered Preferred Securities do not carry any voting rights and may be redeemed or purchased for cancellation at any time by Mosaic. See "Details of the Offering – Offered Preferred Securities" and "Certain Canadian Federal Income Tax Considerations" in this Prospectus Supplement for particulars pertaining to the Offered Preferred Securities.

The Exchange has conditionally approved the listing of the Offered Preferred Securities and Offered Common Shares which comprise the Units distributed under the Base Prospectus, as supplemented by this Prospectus Supplement, including any Offered Preferred Securities and Offered Common Shares issued pursuant to the exercise of the Over-Allotment Option (as defined below). Listing will be subject to Mosaic fulfilling all of the listing requirements of the Exchange.

**An investment in the Units is subject to a number of risks. See "Risk Factors" in this Prospectus Supplement for a more complete discussion of these risks.**

|                            | <b>Price: \$34.00 per Unit</b>       |                                  |                                             |
|----------------------------|--------------------------------------|----------------------------------|---------------------------------------------|
|                            | <b>Price to Public<sup>(1)</sup></b> | <b>Agents' Fee<sup>(2)</sup></b> | <b>Net Proceeds to Mosaic<sup>(3)</sup></b> |
| Per Unit                   | \$34.00                              | \$1.53                           | \$32.47                                     |
| Total <sup>(4)</sup> ..... | \$11,801,400                         | \$531,063                        | \$11,270,337                                |

<sup>(1)</sup> The Offering Price was determined by negotiation between Clarus Securities Inc., Canaccord Genuity Corp. and Raymond James Ltd., as co-lead agents, together with Mackie Research Capital Corporation, GMP Securities L.P. and National Bank Financial Inc. (collectively, the "Agents") and Mosaic.

<sup>(2)</sup> The Agents will be paid a fee of 4.5% of the gross proceeds of the Offering.

<sup>(3)</sup> Before deducting expenses of the Offering which are estimated to be \$300,000 and which will be paid from the proceeds of the Offering.

<sup>(4)</sup> Mosaic has granted to the Agents an over-allotment option, exercisable for a period of 30 days from the closing of the Offering (the "Closing"), to offer up to an additional 52,065 Units sold hereunder on the same terms as set out above to cover over-allotments, if any, and for market stabilization purposes (the "Over-Allotment Option"). See "Plan of Distribution" in this Prospectus Supplement. If the Over-Allotment Option is exercised in full, the total aggregate "Price to Public", "Agents' Fee" and "Net Proceeds to Mosaic" in respect of the sale of Units will be \$13,571,610, \$610,722.45, and \$12,960,887.55, respectively. The Base Prospectus, as supplemented by this Prospectus Supplement, qualifies the distribution of the Units issuable upon exercise of the Over-Allotment Option as well as the distribution of the Offered Preferred Securities and Offered Common Shares comprising those Units. A purchaser who acquires securities forming part of the Agents' over-allocation position acquires those securities under this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context otherwise requires, reference to Units shall include those Units issuable upon exercise of the Over-Allotment Option and references to Offered Preferred Securities and Offered Common Shares shall include those such securities comprising the Units issuable upon exercise of the Over-Allotment Option.

The following table sets out information relating to the Over-Allotment Option:

| <b>Agents' Position</b> | <b>Maximum Number of Securities Available<sup>(1)</sup></b> | <b>Exercise Period / Acquisition Date</b> | <b>Exercise Price</b> |
|-------------------------|-------------------------------------------------------------|-------------------------------------------|-----------------------|
| Over-Allotment Option   | 52,065 Units                                                | Up to 30 days following the Closing Date  | \$34.00 per Unit      |

<sup>(1)</sup> Assumes the exercise of the Over-Allotment Option in full.

**There is no minimum amount of funds that must be raised under this Offering. This means that Mosaic could complete this Offering after raising only a small proportion of the Offering amount set forth above.**

**The Offered Preferred Securities are being distributed at a premium of 8% on the principal amount thereof, representing a yield of approximately 9.26%.**

**The earnings coverage ratio for each of the 12 month period ended December 31, 2013 and the 12 month period ended September 30, 2014, after giving effect (in each case) to the issuance hereunder of the**

**Offered Preferred Securities and other items, is 1.43 and 1.38, respectively. See "*Earnings Coverage Ratio*" in this Prospectus Supplement.**

The Agents conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by Mosaic and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*" and subject to approval of certain legal matters on behalf of Mosaic by Farris, Vaughan, Wills & Murphy LLP and as to certain legal matters on behalf of the Agents by Borden Ladner Gervais LLP. Mosaic has been advised by the Agents that, in connection with the Offering, the Agents may effect transactions which stabilize or maintain the market price of the Preferred Securities or the Common Shares at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*" in this Prospectus Supplement.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offered Preferred Securities and the Offered Common Shares will be issued electronically through the non-certificated inventory system of, and held by, or on behalf of, CDS Clearing and Depository Services Inc. or its successor ("**CDS**") as custodian for the direct and indirect participants of CDS. The date of Closing is expected to occur on or about December 19, 2014 (the "**Closing Date**"), or such other date as Mosaic and the Agents may agree, but in any event, not later than December 31, 2014. Pursuant to the terms of the Agency Agreement, all subscription funds received from subscribers will be retained in trust by the Agents pending closing of the Offering. If the Closing has not occurred prior to December 31, 2014, the Agents will promptly return the proceeds of the subscriptions received, if any, to the proposed subscribers without interest or deduction unless such proposed subscribers have otherwise instructed the Agents. See "*Plan of Distribution*" in this Prospectus Supplement.

Subscribers for Units will receive only a customer confirmation from a registered dealer that is a participant in the CDS depository service and from or through which the Units are purchased.

**No person is authorized by Mosaic to provide any information or to make any representation other than as contained in the Base Prospectus and this Prospectus Supplement in connection with the issue and sale of the securities offered hereunder.**

**No underwriter has been involved in the preparation of the Base Prospectus or this Prospectus Supplement or performed any review of the contents hereof.**

Mosaic is an investment company based in western Canada that owns a portfolio of established businesses. Mosaic's head and registered office is located at 400, 2424 - 4<sup>th</sup> Street SW, Calgary, Alberta T2S 2T4.

## TABLE OF CONTENTS OF PROSPECTUS SUPPLEMENT

|                                                                        |      |                                            |      |
|------------------------------------------------------------------------|------|--------------------------------------------|------|
| IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT ..... | S-1  | EARNINGS COVERAGE RATIO.....               | S-21 |
| DOCUMENTS INCORPORATED BY REFERENCE .....                              | S-2  | PREFERRED SECURITY PAYOUT RATIO.....       | S-22 |
| MARKETING MATERIALS.....                                               | S-3  | COMBINED PAYOUT RATIO .....                | S-23 |
| MEANING OF CERTAIN REFERENCES .....                                    | S-3  | CONSOLIDATED CAPITALIZATION OF MOSAIC..... | S-23 |
| FORWARD-LOOKING STATEMENTS .....                                       | S-3  | CREDIT FACILITY .....                      | S-25 |
| ELIGIBILITY FOR INVESTMENT .....                                       | S-5  | PLAN OF DISTRIBUTION.....                  | S-25 |
| NON-IFRS FINANCIAL MEASURES .....                                      | S-5  | CERTAIN CANADIAN FEDERAL INCOME TAX        |      |
| COMMONLY USED TERMS .....                                              | S-7  | CONSIDERATIONS.....                        | S-26 |
| CORPORATE STRUCTURE.....                                               | S-11 | Allocation of Cost of Units.....           | S-27 |
| MOSAIC'S BUSINESS .....                                                | S-12 | Offered Preferred Securities .....         | S-27 |
| General .....                                                          | S-12 | Offered Common Shares .....                | S-28 |
| Acquisition Strategy .....                                             | S-12 | Taxation of Capital Gains and Losses ..... | S-29 |
| RECENT DEVELOPMENTS .....                                              | S-13 | Alternative Minimum Tax on Holders         |      |
| SECON Acquisition .....                                                | S-13 | who are Individuals.....                   | S-29 |
| CAPITAL STRUCTURE .....                                                | S-14 | RISK FACTORS.....                          | S-30 |
| DETAILS OF THE OFFERING .....                                          | S-14 | Risks Related to the Offering .....        | S-30 |
| Offered Preferred Securities .....                                     | S-14 | Risks Related to the Business .....        | S-31 |
| Offered Common Shares .....                                            | S-17 | Risks Related to Tax.....                  | S-32 |
| PRIOR SALES .....                                                      | S-17 | AUDITORS, TRANSFER AGENT, REGISTRAR        |      |
| TRADING PRICE AND VOLUME .....                                         | S-19 | AND TRUSTEE.....                           | S-32 |
| HISTORY OF DIVIDENDS AND DISTRIBUTIONS .....                           | S-19 | EXPERTS.....                               | S-32 |
| Dividends – Common Shares .....                                        | S-19 | PURCHASER'S STATUTORY RIGHTS .....         | S-33 |
| Distributions – Preferred Securities.....                              | S-20 | CERTIFICATE OF MOSAIC .....                | C-1  |
| USE OF PROCEEDS .....                                                  | S-20 | CERTIFICATE OF THE AGENTS .....            | C-2  |

### IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the securities Mosaic is offering and also adds to and updates certain information contained in the Base Prospectus and the documents incorporated by reference therein. The second part, the Base Prospectus, gives more general information, some of which may not apply to the Units offered hereunder.

You should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the Base Prospectus. We have not, and the Agents have not, authorized anyone to provide you with different or additional information. We are not, and the Agents are not, making an offer to sell the Units in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this Prospectus Supplement or the Base Prospectus, or any documents incorporated by reference herein or therein, is accurate as of any date other than the date on the front of those documents as our business, operating results, financial condition and prospects may have changed since that date.

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. References to "dollars" or "\$" are to lawful currency of Canada.

Unless otherwise specified, all financial information included and incorporated by reference in this Prospectus Supplement has been prepared in accordance with International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board ("IFRS").

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus Supplement and the Base Prospectus from documents filed with securities commissions or similar authorities in the provinces of Canada except Québec.** Copies of the documents incorporated herein and therein by reference or a copy of the permanent information record may be obtained on request without charge from the Chief Financial Officer of Mosaic at, 400, 2424 - 4<sup>th</sup> Street SW, Calgary, Alberta T2S 2T4 or by accessing the disclosure documents available through the Internet on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at [www.sedar.com](http://www.sedar.com).

This Prospectus Supplement is incorporated by reference into the Base Prospectus as of the date hereof and only for the purposes of the distribution of the Units offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the Base Prospectus and reference should be made to the Base Prospectus for full details. See "*Documents Incorporated by Reference*" in the Base Prospectus.

As at the date hereof, the following documents of Mosaic, filed with the securities commissions or similar authorities in each of the provinces of Canada except Québec, are specifically incorporated by reference into and form an integral part of this Prospectus Supplement and the Base Prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus Supplement, the Base Prospectus or in any other subsequently filed document that is also incorporated by reference in this Prospectus Supplement or the Base Prospectus, as further described below:

- (a) the annual information form of Mosaic dated April 23, 2014 for the year ended December 31, 2013;
- (b) the information circular of Mosaic dated April 23, 2014 regarding the annual general and special meeting of shareholders of Mosaic held on June 17, 2014;
- (c) the audited consolidated financial statements of Mosaic for the years ended December 31, 2013 and December 31, 2012, together with the notes thereto and the independent auditor's report thereon;
- (d) the management's discussion and analysis of Mosaic for the year ended December 31, 2013;
- (e) the unaudited condensed interim consolidated financial statements of Mosaic for the nine-month period ended September 30, 2014;
- (f) the management's discussion and analysis of Mosaic for the nine-month period ended September 30, 2014;
- (g) the material change report of Mosaic dated May 27, 2014 with respect to Mosaic entering into an acquisition agreement to acquire a 70% interest in the business carried on by Streamline;
- (h) the material change report of Mosaic dated June 2, 2014 with respect to the closing of the Streamline acquisition, the entering into of the Credit Facility and Mosaic's draw-down on the Credit Facility to fund its acquisition of Streamline;
- (i) the material change report of Mosaic dated June 26, 2014 with respect to the June 2014 Offering;
- (j) the material change report of Mosaic dated September 8, 2014 with respect to the acquisition by Mosaic of a 75% interest in the business carried on by Place-Crete Systems Inc. and Floor-Tech Systems Inc. (which was an affiliated entity of Place-Crete Systems Inc.);
- (k) the material change report of Mosaic dated November 7, 2014 with respect to the acquisition by Mosaic of a 75% interest in the business carried on by WBD Holdings Ltd., operating as South East Construction;
- (l) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements* ("NI 41-101")) of: (i) the indicative term sheet dated December 4, 2014; and (ii) the indicative term sheet dated December 12, 2014, each filed on SEDAR ([www.sedar.com](http://www.sedar.com)) in connection with the Offering (collectively, the "**Revised Term Sheets**"); and

- (m) the "template version" (as such term is defined in NI 41-101) of: (i) the green sheet; (ii) the corporate presentation; and (iii) the indicative term sheet, each dated November 20, 2014 and filed on SEDAR ([www.sedar.com](http://www.sedar.com)) in connection with the Offering (together with the Revised Term Sheets, the "**Marketing Materials**").

Any document of the type referred to in the preceding paragraph or under "*Documents Incorporated by Reference*" in the Base Prospectus (excluding confidential material change reports), and all other documents of the type required by National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference in this Prospectus Supplement or the Base Prospectus, filed by Mosaic with a securities commission or similar regulatory authority in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this Prospectus Supplement and the Base Prospectus.

Any statement contained in the Base Prospectus, this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference in the Base Prospectus or this Prospectus Supplement shall be deemed to be modified or superseded, for purposes of the Base Prospectus and this Prospectus Supplement, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein or in the Base Prospectus modifies or supersedes that statement. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be considered in its unmodified or superseded form to constitute part of the Base Prospectus or this Prospectus Supplement; rather only such statement as so modified or superseded shall be considered to constitute part of the Base Prospectus or this Prospectus Supplement.

Mosaic has not provided or otherwise authorized any other person to provide investors with information other than as contained or incorporated by reference in the Base Prospectus or this Prospectus Supplement. If an investor is provided with different or inconsistent information, he or she should not rely on it.

#### MARKETING MATERIALS

The Marketing Materials are not part of this Prospectus Supplement to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this Prospectus Supplement. Any "template version" of "marketing materials" (as such terms are defined in NI 41-101) that has been, or will be, filed on SEDAR ([www.sedar.com](http://www.sedar.com)) after the date of this Prospectus Supplement and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus Supplement.

#### MEANING OF CERTAIN REFERENCES

For simplicity, Mosaic uses terms in this Prospectus Supplement to refer to the investments and operations of Mosaic and its direct and indirect subsidiaries, as a whole. Accordingly, in this Prospectus Supplement, unless the context otherwise requires, "Mosaic" is referring to Mosaic Capital Corporation and its direct and indirect subsidiaries.

References to "management" in this Prospectus Supplement means the persons acting, from time to time, in the capacities of Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Vice Presidents of Mosaic. Any statements in this Prospectus Supplement made by or on behalf of management are made in such persons' capacities as officers of Mosaic and not in their personal capacities.

#### FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, including the documents incorporated by reference herein, contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as

**"forward-looking statements")** that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking statements. All information and statements in this Prospectus Supplement which are not statements of historical fact may be forward-looking statements. Such statements and information may be identified by looking for words such as "may", "believe", "could", "expect", "will", "intend", "should", "plan", "objective", "predict", "potential", "project", "anticipate", "estimate", "continuous" or similar words or the negative thereof or other comparable terminology, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements included in this Prospectus Supplement include, but are not limited to, statements with respect to: the intention and ability of Mosaic to make cash distributions on the Preferred Securities; the intention and ability of Mosaic to pay dividends on the Common Shares; the outlook of Mosaic's and its subsidiaries' businesses; the intention of Mosaic to allocate \$10.80 of the Offering Price as consideration for the issue of each Offered Preferred Security and \$12.40 of the Offering Price for the issue of each Offered Common Share; the competitive environment in which Mosaic and its business units operate; the business strategy and objectives of Mosaic; development plans, as well as acquisition and disposition plans, of Mosaic; the supply and demand for products and services; Mosaic's ability to meet its current and future obligations; Mosaic's ability to execute its growth strategy; management's assessment of future plans and operations; the acquisition strategy of Mosaic; acquisition opportunities arising from time to time that fit Mosaic's acquisition criteria; and the expected use of the proceeds from the sale of Units under the Base Prospectus, as supplemented by this Prospectus Supplement.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect, including those assumptions listed below and those discussed elsewhere in the Base Prospectus and this Prospectus Supplement. Some of the assumptions made by Mosaic, upon which such forward-looking statements are based, include: the business operations of the operating businesses of Mosaic continuing on a basis consistent with prior years; the ability of Mosaic to access financing from time to time on favourable terms; the ability of Mosaic to realize anticipated benefits of acquisitions; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; the ability of Mosaic to maintain reasonably stable operating and general administrative expenses; the stability of current economic conditions and the strength and persistence of the economic recovery in Canada; and currency, exchange and interest rates and commodity prices being reasonably stable at current rates.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this Prospectus Supplement. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to: general economic and political conditions; competition for acquisition candidates; the failure to identify, acquire and develop suitable acquisition opportunities; risks related to the resource and commodities sector; unknown liabilities within acquired businesses; insufficient cash flows from subsidiaries; failure to realize the anticipated benefits of one or more of Mosaic's acquisitions; the loss of key personnel; lack of diversification; changes in laws or regulations or the interpretation thereof; regulatory risk; the inability to generate sufficient cash flow from operations to meet current and future obligations; the inability to obtain required debt and/or equity capital on acceptable terms or at all; legal proceedings against Mosaic; potential conflicts of interest of directors and officers; changes in tax law or other adverse tax consequences; no certainty of any future dividend payments by Mosaic; no guarantee on interest payments on Preferred Securities; subordination of Preferred Securities; the Preferred Securities are non-redeemable; the Preferred Securities Indenture does not confer any rights as a shareholder of Mosaic upon the holders of Preferred Securities; no guarantee that an investment in securities of Mosaic will earn any positive return; no assurance of an active or liquid market for either the Common Shares or the Preferred Securities; the volatility of the market price of the Common Shares and the Preferred Securities; diversion of management to manage issues in Mosaic's operating subsidiaries; shift of management's focus to integration, administration or unforeseen business or operating issues, declining employee morale and employee retention issues; integration of subsidiary administrative systems; lack of sufficient business and financial controls or other

procedures or policies within acquired entities; fluctuations in operating performance and seasonality; illiquidity of investments; the speculative nature of Mosaic's investments due to the small size of the acquired businesses; lack of diversity of customer base; adverse weather conditions; uninsured and underinsured losses; competition in industries in which Mosaic's subsidiaries operate; contractual risks, including indemnity obligations; failure to retain significant customers; damage to brand reputation; failure to attract qualified employees or interruption of the labour supply; competition for, among other things, capital, equipment, materials and personnel; risks inherent in Mosaic's ownership of real property; construction and development risks; capital and operating cost estimates may not prove accurate; credit risk relating to ownership of income-producing properties; difficulty in renewing leases as they expire or leasing vacant space; fixed costs of ownership of real property; illiquidity of investments in real property; weakness in commercial property market in target markets; difficulty in enforcing rights upon default by tenants; and environmental liabilities. See "*Risk Factors*" in this Prospectus Supplement.

Although the forward-looking statements contained in this Prospectus Supplement are based upon what Mosaic's management believes to be reasonable assumptions, Mosaic cannot assure investors that actual results will be consistent with such information. Forward-looking statements reflect management's current beliefs and are based on information currently available to Mosaic. Readers of this Prospectus Supplement are cautioned not to place undue reliance on Mosaic's forward-looking statements because a number of factors, such as those referred to in the paragraph above, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements contained in this Prospectus Supplement. The forward-looking statements are made as of the date of this Prospectus Supplement and Mosaic assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

#### ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy LLP, counsel to Mosaic, and Borden Ladner Gervais LLP, counsel to the Agents, each Offered Preferred Security and Offered Common Share issued pursuant to the Offering will be a qualified investment under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a deferred profit sharing plan (other than a deferred profit sharing plan to which payments are made by Mosaic or an employer with which Mosaic does not deal at arm's length), a registered education savings plan, a registered disability savings plan and a tax free savings account ("**TFSA**") at any particular time provided that, at that time, the Offered Preferred Securities and the Offered Common Shares, as applicable, are listed on a "designated stock exchange" under the Tax Act (which currently includes the Exchange) or Mosaic otherwise qualifies as a public corporation (other than a mortgage investment corporation) under the Tax Act.

Notwithstanding the foregoing, an Offered Preferred Security or Offered Common Share may be a "prohibited investment" for a TFSA, RRSP or RRIF (in this paragraph, each a "**Registered Plan**") if the holder or annuitant of the Registered Plan does not deal at arm's length with Mosaic for the purposes of the Tax Act or the holder or annuitant has a "significant interest" (within the meaning of the Tax Act) in Mosaic or a corporation, partnership or trust with which Mosaic does not deal at arm's length for the purposes of the Tax Act. The holder or annuitant of the Registered Plan in this case will be subject to penalty taxes as set out in Part XI.01 of the Tax Act. The prohibited investment rules will not apply to an Offered Preferred Security or Offered Common Share that is an "excluded property" (as defined in the Tax Act) for the purposes of those rules. Prospective investors who intend to hold Offered Preferred Securities or Offered Common Shares in a Registered Plan should consult their own advisers regarding the potential application of the prohibited investment rules to their particular circumstances.

#### NON-IFRS FINANCIAL MEASURES

Mosaic has historically used various metrics when evaluating its operational and financial performance. Mosaic continually monitors, evaluates and updates these metrics as required to ensure they provide the information considered most useful, in the opinion of Mosaic's management, to any decision making based on Mosaic's performance.

This section defines, quantifies and analyzes certain of the key performance measures used by management of Mosaic that are not recognized under IFRS and have no standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

- **Adjusted EBITDA:** is defined as income from continuing operations before tax and before: (i) gain (loss) on sale of equipment; (ii) non-cash income and expenses; (iii) finance income and expenses; (iv) securities-based compensation expense; and (v) any unusual non-operating one-time items such as acquisition and reorganization costs. Adjusted EBITDA is used by management to assess Mosaic's normalized cash generated on a consolidated basis and in its operating segments. Adjusted EBITDA is also a performance measure which may be utilized by investors to analyze the cash generated by Mosaic and its operating segments.
- **Combined Payout Ratio:** is defined as that number, expressed as a percentage, which is the total amount declared (which includes cash paid as well as Preferred Securities distributed pursuant to the DRIP) to holders of Preferred Securities, Series A Shares and Common Shares during the period divided by Free Cash Flow for the period. Management believes that this measure may be useful to investors in assessing the likelihood that Mosaic will be able to continue to pay distributions on its Preferred Securities and pay dividends on its Series A Shares and Common Shares.
- **Free Cash Flow:** is defined as Adjusted EBITDA less: (i) non-controlling interest of Adjusted EBITDA; (ii) Mosaic's share of current income tax expense; and (iii) Mosaic's share of the Sustaining Capital Expenditures. Free Cash Flow is a performance measure used by management to summarize the funds available for: (A) the payment of distributions to holders of Preferred Securities, Series A Shares and Common Shares; (B) investment in capital expenditures made to grow the enterprise; and (C) new acquisitions and working capital. Free Cash Flow is also a performance measure which may be utilized by investors to analyze the free cash available for Preferred Security distributions, Common Share dividends, acquisitions and additional investment into existing businesses.
- **Preferred Security Payout Ratio:** is defined as that number, expressed as a percentage, which is the total amount declared (which includes cash paid as well as Preferred Securities distributed pursuant to the DRIP) to holders of Preferred Securities and Series A Shares during the period divided by Free Cash Flow for the period. Management believes that this measure may be useful to investors in assessing the likelihood that Mosaic will be able to continue to pay distributions on its Preferred Securities and Series A Shares.
- **Sustaining Capital Expenditures:** is defined as capital expenditures required to sustain the operations of Mosaic at its current level of operations and is calculated by subtracting those capital expenditures which are, as determined in the discretion of management, made to grow the enterprise and expected to generate additional Adjusted EBITDA from total capital expenditures for the period. An example of Sustaining Capital Expenditures would be the replacement of vehicles that have completed their useful life. Mosaic's share of Sustaining Capital Expenditures for the nine-month period ended September 30, 2014 and the twelve-month period ended December 31, 2013 was approximately \$298,000 and \$947,000, respectively.

Readers are cautioned that Adjusted EBITDA, Combined Payout Ratio, Free Cash Flow, Preferred Security Payout Ratio and Sustaining Capital Expenditures should not be viewed as an alternative to measures that are recognized under IFRS such as net income or cash from operating activities. The distributions and dividends paid by Mosaic to its securityholders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities. Mosaic's method of calculating Adjusted EBITDA, Combined Payout Ratio, Free Cash Flow, Preferred Security Payout Ratio and Sustaining Capital Expenditures may differ from that of other issuers and therefore may not be comparable to measures utilized by them.

**A description of the non-IFRS financial measures used by Mosaic and reconciliations of such non-IFRS financial measures are set forth on pages 1 and 3 in the management's discussion and analysis of Mosaic for the nine-month period ended September 30, 2014, which is incorporated by reference herein, under the headings "Non-IFRS Financial Measures" and "Reconciliations of Non-IFRS Financial Measures".**

## COMMONLY USED TERMS

Defined terms used in this Prospectus Supplement that are not defined herein have the meanings ascribed thereto in the Base Prospectus. In this Prospectus Supplement the following words and phrases have the following meanings unless the context otherwise requires:

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations thereto, as amended;

"**ACB**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations*" in this Prospectus Supplement;

"**Adjusted EBITDA**" has the meaning ascribed to it under "*Non-IFRS Financial Measures*" in this Prospectus Supplement;

"**affiliate**" has the meaning provided for in the ABCA, read as if the word "body corporate" includes a trust, partnership, limited liability company or other form of business organization;

"**Agency Agreement**" means the agency agreement dated December 15, 2014 between Mosaic and the Agents;

"**Agents**" means Clarus Securities Inc., Canaccord Genuity Corp. and Raymond James Ltd., as co-lead agents, and Mackie Research Capital Corporation, GMP Securities L.P. and National Bank Financial Inc.;

"**AIF**" means the annual information form of Mosaic dated April 23, 2014 for the year ended December 31, 2013, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

"**Ambassador**" means Ambassador Mechanical Corp., a corporation formed under the laws of the Province of Manitoba on October 21, 2011;

"**Arrangement**" means the arrangement, effective May 1, 2011, involving Mosaic, the Fund, First West and their respective securityholders under Section 193 of the ABCA on the terms and subject to the conditions set out in the plan of arrangement involving Mosaic, the Fund and First West;

"**Base Prospectus**" means the short form base shelf prospectus dated September 19, 2014, accompanying this Prospectus Supplement, including any amendments thereto;

"**Business Day**" has the meaning ascribed to it in the Preferred Securities Indenture;

"**CDS**" means CDS Clearing and Depository Services Inc. or its successor;

"**Closing**" means the closing of the Offering, which is expected to take place on or about December 19, 2014;

"**Closing Date**" means the date on which the Closing occurs;

"**Combined Payout Ratio**" has the meaning ascribed to it under "*Non-IFRS Financial Measures*" in this Prospectus Supplement;

"**Common Share Purchase Warrants**" means the common share purchase warrants issued pursuant to the Warrant Indenture;

"**Common Shares**" means common shares in the capital of Mosaic;

"**CRA**" means the Canada Revenue Agency;

"**Credit Agreement**" has the meaning ascribed to it under "*Credit Facility*" in this Prospectus Supplement, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

"**Credit Facility**" has the meaning ascribed to it under "*Credit Facility*" in this Prospectus Supplement;

**"Demand Facility"** has the meaning ascribed to it under *"Consolidated Capitalization of Mosaic"* in this Prospectus Supplement;

**"DRIP"** means Mosaic's distribution reinvestment plan in respect of distributions paid on the Preferred Securities, as may be amended, restated or supplemented from time to time and as more particularly described under *"Preferred Security Payout Ratio"*;

**"Exchange"** means the TSX Venture Exchange;

**"First West"** has the meaning ascribed to it under *"Corporate Structure"* in the Base Prospectus;

**"forward-looking statements"** has the meaning ascribed to it under *"Forward-Looking Statements"* in this Prospectus Supplement;

**"Free Cash Flow"** has the meaning ascribed to it under *"Non-IFRS Financial Measures"* in this Prospectus Supplement;

**"Fund"** means Mosaic Diversified Income Fund, a trust created under the laws of the Province of Alberta and governed by the Fund Indenture;

**"Fund Indenture"** means the Fund's amended and restated trust indenture dated November 1, 2010, as amended;

**"FWPLP"** means First West Properties L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated November 27, 2012, as amended or restated from time to time;

**"Holder"** has the meaning ascribed to it under *"Certain Canadian Federal Income Tax Considerations"* in this Prospectus Supplement;

**"IFRS"** means the International Financial Reporting Standards as issued by the International Accounting Standards Board;

**"Industrial Scaffold"** means Industrial Scaffold Services L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated July 30, 2013, as amended or restated from time to time;

**"Interest Period"** has the meaning ascribed to it under *"Details of the Offering – Offered Preferred Securities"* in this Prospectus Supplement;

**"June 2014 Offering"** means Mosaic's short form prospectus offering of 2,524,240 units, comprised of 2,524,240 Preferred Securities and 631,060 Common Share Purchase Warrants, at a price of \$11.40 per unit that closed on June 20, 2014;

**"Marketing Materials"** has the meaning ascribed to it under *"Documents Incorporated by Reference"* in this Prospectus Supplement;

**"NI 41-101"** has the meaning ascribed to it under *"Documents Incorporated by Reference"* in this Prospectus Supplement;

**"Offered Common Share"** means a Common Share as described under *"Details of the Offering – Offered Common Shares"* in this Prospectus Supplement and issuable pursuant to the Offering;

**"Offered Preferred Security"** means a preferred security as described under *"Details of the Offering – Offered Preferred Securities"* in this Prospectus Supplement and issued pursuant to the Preferred Securities Indenture;

**"Offering"** means the offering of Units issued and sold by Mosaic pursuant to the Base Prospectus, as supplemented by this Prospectus Supplement;

**"Offering Price"** means \$34.00 per Unit;

**"Over-Allotment Option"** means the option granted by Mosaic to the Agents to offer up to 52,065 additional Units, exercisable for a period of 30 days following the Closing;

**"Payment Default"** has the meaning ascribed to it under *"Details of the Offering – Offered Preferred Securities"* in this Prospectus Supplement;

**"Place-Crete"** means Place-Crete Systems L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated August 21, 2014, as amended or restated from time to time;

**"Preferred Securities"** means preferred securities in the capital of Mosaic;

**"Preferred Securities Indenture"** means the indenture dated April 29, 2011 entered into between Mosaic and the Preferred Securities Trustee, as amended, supplemented or restated from time to time, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

**"Preferred Securities Trustee"** means Computershare Trust Company of Canada (as successor in interest to Olympia Trust Company) or its successor as trustee under the Preferred Securities Indenture;

**"Preferred Security Payout Ratio"** has the meaning ascribed to it under *"Non-IFRS Financial Measures"* in this Prospectus Supplement;

**"Preferred Shares"** means the preferred shares issuable in series in the capital of Mosaic;

**"Proposed Amendments"** has the meaning ascribed to it under *"Certain Canadian Federal Income Tax Considerations"* in this Prospectus Supplement;

**"Prospectus Supplement"** means this prospectus supplement, including any amendments hereto;

**"Redemption Price"** has the meaning ascribed to it under *"Details of the Offering – Offered Preferred Securities"* in this Prospectus Supplement;

**"Registered Plan"** has the meaning ascribed to it under *"Eligibility for Investment"* in this Prospectus Supplement;

**"Revised Term Sheets"** has the meaning ascribed to it under *"Documents Incorporated by Reference"* in this Prospectus Supplement;

**"RRIF"** has the meaning ascribed to it under *"Eligibility for Investment"* in this Prospectus Supplement;

**"RRSP"** has the meaning ascribed to it under *"Eligibility for Investment"* in this Prospectus Supplement;

**"RSUs"** has the meaning ascribed to it under *"Prior Sales"* in this Prospectus Supplement;

**"SECON"** means South East Construction L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated October 27, 2014, as amended or restated from time to time;

**"Securities-Based Compensation Plan"** means the Mosaic amended and restated securities-based compensation plan, most recently amended and restated effective April 23, 2014 and ratified by Mosaic's shareholders on June 17, 2014;

**"Series A Shares"** means the series A preferred shares in the capital of Mosaic, each of which is redeemable at the holder's option for one Preferred Security;

**"Streamline"** means, collectively, Streamline Mechanical and Streamline Projects;

**"Streamline Mechanical"** means Streamline Mechanical L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time;

**"Streamline Projects"** means Streamline Projects L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time;

**"subsidiary"** has the meaning provided for in the ABCA, read as if the word "body corporate" includes a trust, partnership, limited liability company or other form of business organization;

**"Sustaining Capital Expenditures"** has the meaning ascribed to it under *"Non-IFRS Financial Measures"* in this Prospectus Supplement;

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

**"taxable capital gain"** has the meaning ascribed to it under *"Certain Canadian Federal Income Tax Considerations"* in this Prospectus Supplement;

**"Term Loan"** has the meaning ascribed to it under *"Consolidated Capitalization of Mosaic"* in this Prospectus Supplement;

**"TFSA"** has the meaning ascribed to it under *"Eligibility for Investment"* in this Prospectus Supplement;

**"Units"** means the units offered under the Offering, with each Unit consisting of two Offered Preferred Securities and one Offered Common Share;

**"U.S."** means the United States of America;

**"U.S. Securities Act"** means the United States *Securities Act of 1933*, as amended;

**"Warrant Agent"** means Computershare Trust Company of Canada (as successor in interest to Olympia Trust Company) or its successor as trustee under the Warrant Indenture;

**"Warrant Indenture"** means the indenture providing for the issue of the Common Share Purchase Warrants dated June 20, 2014 and entered into between Mosaic and the Warrant Agent, as amended, supplemented or restated from time to time, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com); and

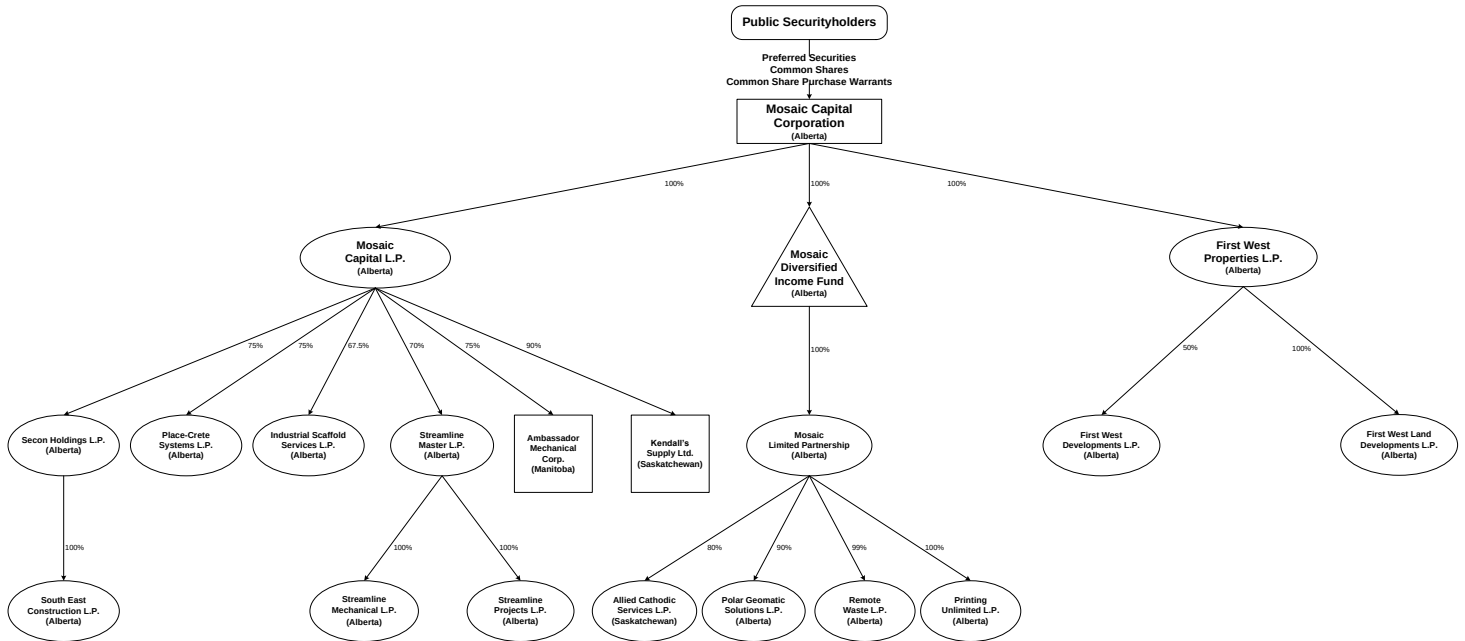
**"working capital"** means at any time, the excess of current assets over current liabilities, calculated in accordance with IFRS.

## CORPORATE STRUCTURE

Mosaic was incorporated under the ABCA on February 11, 2011 and is the resulting entity from the combination of the businesses of the Fund and First West pursuant to the Arrangement which was effective May 1, 2011. Mosaic has three types of securities listed on the Exchange: Common Shares, Preferred Securities and Common Share Purchase Warrants under the symbols "M", "M.PR.A" and "M.WT", respectively.

The registered and head office of Mosaic is located at 400, 2424 - 4th Street SW, Calgary, Alberta T2S 2T4.

The following diagram illustrates the current organizational structure of Mosaic:



For a summary of the other businesses owned by Mosaic, see "*Corporate Structure*" in the Base Prospectus. In addition, Secon Holdings L.P. and SECON were acquired after the date of the Base Prospectus and are described below.

### ***Secon Holdings L.P. and South East Construction L.P.***

Secon Holdings L.P. is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated October 27, 2014, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 75% of the outstanding limited partnership units of Secon Holdings L.P. and controls the general partner thereof. The primary activity of Secon Holdings L.P. is the holding of the securities of SECON. Secon Holdings L.P. is based in Calgary, Alberta.

SECON is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated October 27, 2014, as amended or restated from time to time. Secon Holdings L.P. owns all of the outstanding limited partnership units of SECON and the general partner thereof is controlled by Mosaic. SECON is based in Esterhazy, Saskatchewan. See "*Recent Developments – SECON*" in this Prospectus Supplement.

## **MOSAIC'S BUSINESS**

### **General**

Mosaic is an investment company based in western Canada that owns a portfolio of established businesses that have a history of generating cash flow from their operations. Mosaic invests for the purpose of exercising, or seeking to exercise, control of a business or asset. Mosaic's management team has an extensive breadth and depth of experience gained through in excess of 100 years of combined experience in public and private transactions, including merger and acquisition transactions, corporate restructurings, financings, venture capital and private equity investing, and corporate turn-arounds.

As at September 30, 2014, Mosaic had deployed approximately \$97.9 million into nine businesses within its industrial segment. These businesses have generated, collectively, an approximate \$20.7 million in Adjusted EBITDA and \$1.91 in Free Cash Flow per Common Share as calculated, in each case, for the twelve month period ended September 30, 2014.

### **Acquisition Strategy**

Mosaic actively looks for businesses in a variety of industries that fit its investment criteria. Currently, averaged over a year, Mosaic looks at approximately one new acquisition opportunity each day. Mosaic's preferred acquisition criteria include the following:

- demonstrated history of growing sustainable cash flow and operating in an industry which Mosaic believes has good growth potential;
- a capable and experienced management team that is growth oriented;
- a business with significant market share in its geographical area;
- a business with a competitive advantage; and
- an ability to grow the business.

In addition, Mosaic looks for businesses within industries that are easy to understand, have key managers who desire to remain with the business post-acquisition, and have a track record of generating reasonably stable cash flow.

Two of Mosaic's current key initiatives are to: (i) continue to pursue one to three acquisitions per year, in accordance with the aforementioned acquisition criteria, which are accretive to Mosaic's shareholders; and (ii) work with its businesses post-acquisition to assist them with, among other things, their organic growth.

### ***A Partnership Approach***

The market for acquiring or investing in the types of businesses and assets which fit Mosaic's acquisition criteria is a competitive one. However, Mosaic believes that its "partnership approach" to its investee businesses is attractive to its potential business partners. The attributes of which consist of, among other things: (i) being a strong equity partner with a long term view to continuing the business legacy created by the investee business; (ii) providing strategic, operational, business, financial, human resource, accounting and legal expertise; (iii) providing the management of the investee business with the autonomy to continue to operate its business; and (iv) providing the investee business with access to a peer group of business managers (from among other Mosaic subsidiaries) to share ideas and challenges. These factors, among others, have resulted in Mosaic acquiring businesses and assets at attractive prices, generally within a price range of three to five times the normalized cash flow from operations.

### ***A Diligent Approach***

Mosaic manages its acquisition risk through extensive due diligence, transaction structuring and working closely with its businesses after acquisition. Some of the aspects which Mosaic focuses on in connection with its transaction due diligence include:

- **Accounting:** review of accounting systems, controller assessment, review of historical financial statements, review of audit working papers, earnings normalization audit, working capital check, work in progress review, opening balance sheet preparation, credit lines, bonding and contracts and leasing review.
- **Management:** management assessment, employee interviews, compensation review, background checks, multi-interview process, key man insurance and management contracts review.
- **Industry:** industry activity analysis, industry issues review and assessment, compensation structure analysis, competitive analysis, union issue analysis, analyst calls and economic review.
- **Revenue:** customer concentration review, customer calls, revenue analysis and margin review.
- **Strategic Plan:** review of growth plan, potential acquisitions, forecast, human resource needs and geographic review.

For additional information concerning the business carried on and intended to be carried on by Mosaic, see "*Mosaic's Business*" in the Base Prospectus.

## RECENT DEVELOPMENTS

### SECON Acquisition

Effective November 1, 2014, Mosaic completed an acquisition of a 75% interest in the business previously carried on by WBD Holdings Ltd., operating as South East Construction. Established in 1989, South East Construction has been in business for 25 years and presently has an office in Esterhazy, Saskatchewan. South East Construction is a multi-trade industrial and commercial company, primarily servicing the potash mining and milling industry in all phases of underground and surface construction and maintenance. South East Construction has also worked on construction and infrastructure projects related to power generation, coal mining and crushing, fertilizer production and oilseed crushing.

Mosaic's cost of acquisition was approximately \$15.2 million and was funded through a combination of cash and \$3.6 million of vendor take back financing. The transaction also contemplates the possibility for additional payments to be made by Mosaic to WBD Holdings Ltd. in the event that the acquired business achieves certain net income targets over the next three calendar years (2015-2017), and which could, at most, aggregate to \$3.8 million. The acquisition provides further diversity to Mosaic's income stream, exposure into a new sector and future potential growth opportunities.

As of December 1, 2014, SECON employed approximately 130 people. Sales in the business are generated through existing relationships, competitive bidding on projects and from face to face sales calls. Although there are competitors to the services provided by SECON, the assessment of Mosaic is that SECON is among the leaders in this niche market.

The loss of a senior manager of SECON could impair the ability of the business to operate at its optimum level of performance for a period of time as it is expected that it would be difficult, time-consuming and potentially costly to find a suitable replacement. The assessment of Mosaic is that the skill and knowledge pertaining to the balance of the labour force at SECON is generally available in the marketplace. However, due to the current strength and competitiveness of the labour market, replacement of qualified personnel may not occur as timely as is optimal for the business. These labour force factors could have an impact on the performance of the business, the effect of which could be material.

In general, for day-to-day operations, the materials and equipment necessary for SECON to carry on its business are readily available from multiple sources which assists in keeping such materials and equipment competitively priced in the marketplace. As a result, Mosaic does not assess there to be any foreseeable material risk to the supply and/or pricing of materials or equipment which could materially impact or impede the business of SECON.

For a summary of other recent developments involving Mosaic, see "*Recent Developments*" in the Base Prospectus.

## **CAPITAL STRUCTURE**

The authorized capital of Mosaic consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. Under the Preferred Securities Indenture, Mosaic also has the ability to issue an unlimited number of Preferred Securities. Under the Warrant Indenture, Mosaic issued 631,060 Common Share Purchase Warrants and may issue further warrants under one or more supplemental indentures. As of December 11, 2014, Mosaic had: (i) 8,170,575 Common Shares issued and outstanding; (ii) 41,580 Series A Shares issued and outstanding; (iii) 9,965,812 Preferred Securities issued and outstanding; and (iv) 631,060 Common Share Purchase Warrants each of which entitles the holder thereof to acquire, subject to adjustment, one Warrant Share at an exercise price of \$15.50 on or before 5:00 p.m. (Calgary time) on December 21, 2015.

Mosaic also has outstanding options to purchase Common Shares and options to purchase Series A Shares, as well as RSUs entitling the holders to acquire Common Shares and Preferred Securities, as the case may be. For particulars see "*Prior Sales*" in this Prospectus Supplement.

## **DETAILS OF THE OFFERING**

### **Offered Preferred Securities**

The following is a brief summary of the material attributes and characteristics of the Offered Preferred Securities. This summary does not purport to be complete. For full particulars and additional details on the Offered Preferred Securities, reference should be made to the Preferred Securities Indenture. A copy of the Preferred Securities Indenture is available electronically under Mosaic's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and can be obtained from the Chief Financial Officer at 400, 2424 - 4th Street SW, Calgary, Alberta T2S 2T4, Telephone (403) 218-6500.

#### ***General***

The Offered Preferred Securities issued under the Offering will be governed by the Preferred Securities Indenture.

#### ***Principal Amount***

Each Offered Preferred Security represents \$10 in principal amount.

#### ***Preferred Securities Trustee***

The Preferred Securities Trustee under the Preferred Securities Indenture is Computershare Trust Company of Canada.

#### ***Voting Rights***

The Offered Preferred Securities do not carry any voting rights.

#### ***Maturity***

The Offered Preferred Securities are undated, perpetual securities having no fixed maturity date or redemption date. The Offered Preferred Securities are not redeemable by the holder at any time or in any circumstances. Notwithstanding any default of Mosaic under the terms of the Preferred Securities Indenture (including any default in the payment of interest), the principal amount under any or all of the Offered Preferred Securities will only become due and payable upon a liquidation, dissolution or bankruptcy of Mosaic.

### ***Security and Rank of Offered Preferred Securities***

The Offered Preferred Securities are unsecured and subordinated obligations of Mosaic ranking *pari passu* among themselves but subordinated and postponed to all indebtedness, liabilities and obligations of Mosaic which, by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations, is not expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by the Offered Preferred Securities or any of them. The obligations under the Offered Preferred Securities rank senior to the Common Shares.

### ***Right of Redemption by Mosaic***

The Offered Preferred Securities are redeemable by Mosaic at any time at Mosaic's option, in whole or in part (in which case they will be redeemed on a *pro-rata* basis), upon payment in respect of each Offered Preferred Security of the "**Redemption Price**" which means, in respect of each Offered Preferred Security, the greater of: (i) the amount of \$10 dollars, being the principal amount thereof; and (ii) the market price (as defined in the Preferred Securities Indenture) of such Offered Preferred Security; and, in each case, shall also include all accrued and unpaid interest on such Offered Preferred Security (including any unpaid deferred interest, if any) up to but excluding the date of redemption. Mosaic will satisfy the Redemption Price by way of cash payment to the holders of Offered Preferred Securities being redeemed.

### ***Purchase by Mosaic***

Mosaic may purchase Offered Preferred Securities in the market, by tender or by private contract, at any time or at any price, subject to any applicable blackout periods. All Offered Preferred Securities so purchased may, at the option of Mosaic, be delivered to the Preferred Securities Trustee for cancellation and no Preferred Securities shall be issued in substitution therefor.

### ***Interest Rate***

Each Offered Preferred Security bears simple interest at a rate of 10% per annum from the date of issuance upon the \$10 principal amount thereof which, therefore, gives rise to an entitlement to a monthly distribution in the amount of \$0.0833 (\$1.00 per annum) which is payable monthly in arrears on or about the 15<sup>th</sup> day of the succeeding month. Interest payable on the Offered Preferred Securities is cumulative and non-compounding. Each period from and including the first day of a month to and including the last day of the month is herein referred to as an "**Interest Period**". The current Interest Period is one month. Subject to the terms of the Preferred Securities Indenture, Mosaic may change the Interest Period in its discretion provided that it shall be no greater than six months in duration. Holders of Offered Preferred Securities of record on December 31, 2014 will be entitled to receive distributions for the December Interest Period.

### ***Record and Payment Date for Interest Payments***

Subject to the right of Mosaic to defer interest payments, accrued and unpaid interest on the Offered Preferred Securities for each Interest Period is payable on the interest payment date immediately following that Interest Period, to holders of Offered Preferred Securities of record as of the last Business Day of the Interest Period. The interest payment date in respect of each Interest Period shall be the 15<sup>th</sup> day of the month immediately following such Interest Period, unless such day is not a Business Day in which event the interest payment date shall be the immediately next following Business Day unless earlier paid by Mosaic.

### ***Deferral of Interest***

Mosaic may indefinitely defer payment of all or part of any accrued interest otherwise due on an interest payment date by giving notice to the Preferred Securities Trustee not less than five Business Days prior to such interest payment date. Payments of interest following receipt of a notice of deferral shall continue to be deferred until payment is resumed in accordance with the terms of the Preferred Securities Indenture, meaning that once an interest deferral notice has been given to the Preferred Securities Indenture, no subsequent interest deferral notices will need to be given to the Preferred Securities Trustee or to holders of Offered Preferred Securities for the interest to be deferred. The Preferred Securities Trustee is responsible to notify the holders of Offered Preferred Securities of

receipt of an interest deferral notice. Interest shall continue to accrue during any period of time in which payment of interest is deferred.

***Payment of Deferred Interest - Voluntary***

Subject to the requirement to pay deferred interest in certain circumstances (see "*Mandatory Payment of Deferred Interest*" below), Mosaic may elect to pay all or any portion of such interest, which at that time stands deferred, and such payment may be made on any Business Day by first delivering written notice confirming the payment date to the Preferred Securities Trustee. Such notice must be given not less than five Business Days prior to the date selected for payment by Mosaic.

Mosaic's right to make payment of any deferred interest is subject to Mosaic, at the time of payment, not being aware of any reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due. Satisfaction of payment of the deferred interest will be by way of cash payment.

***Mandatory Payment of Deferred Interest***

Mosaic is obligated to pay all outstanding and unpaid deferred interest (or so much thereof as available distributable cash of Mosaic will permit) at the following times:

- (a) no later than the Business Day immediately prior to the date on which Mosaic declares the payment of any dividend, interest or other distribution in any form or amount, or makes a payment of any nature, in respect of any securities of Mosaic or other obligations of Mosaic which rank junior to the Offered Preferred Securities (including the Common Shares);
- (b) no later than the Business Day immediately prior to the date on which Mosaic redeems, purchases or otherwise acquires any of its own share capital, securities or other obligations ranking junior to the Offered Preferred Securities; and
- (c) at the time of any distribution of the assets of Mosaic arising from the liquidation, dissolution or bankruptcy of Mosaic.

In the event that either of the following events occurs:

- (a) Mosaic declares the payment of any dividend, interest or other distribution in any form or amount, or makes a payment of any nature, in respect of any securities or other obligations of Mosaic which rank *pari passu* with the Offered Preferred Securities; or
- (b) Mosaic redeems, purchases or otherwise acquires any of its own securities or other obligations which rank *pari passu* with the Offered Preferred Securities;

then mandatory partial payment of the outstanding and unpaid deferred interest on the Offered Preferred Securities shall be made forthwith in such amount as is calculated in accordance with the terms of the Preferred Securities Indenture pertaining to calculation of such mandatory partial payment amounts.

***Default on Interest Payment***

A payment default ("**Payment Default**") with respect to the Offered Preferred Securities will occur if Mosaic fails to pay or set aside for payment the amount due to satisfy any payment on the Offered Preferred Securities when due, and such failure continues for 30 days. The deferral of interest pursuant to the terms of the Preferred Securities Indenture shall not constitute a Payment Default under the Preferred Securities Indenture.

If any Payment Default occurs and continues, the Preferred Securities Trustee may pursue all legal remedies available to it, including commencing judicial proceedings for the collection of the sums due and unpaid. Notwithstanding a Payment Default, the Preferred Securities Trustee may not declare the principal amount of any outstanding Preferred Security to be due and payable.

### ***Other Covenants***

Among other things, Mosaic covenants in the Preferred Securities Indenture substantially to the effect that:

- (a) Mosaic will furnish or cause to be furnished to the Preferred Securities Trustee, or its duly authorized agent or attorney, such information relating to the business of Mosaic as the Preferred Securities Trustee may reasonably require for the performance of its duties thereunder;
- (b) Mosaic will pay the Preferred Securities Trustee's reasonable remuneration for services thereunder and such remuneration will continue to be payable until the trusts thereof are finally wound up and whether or not the trusts of the Preferred Securities Indenture will be in the course of administration by or under the direction of the court; and
- (c) Mosaic will observe and comply with all governing laws relating to its business and operations.

### ***Further Issuances***

Additional Preferred Securities having the same terms and conditions as those presently issued under the Preferred Securities Indenture may be issued under the Preferred Securities Indenture from time to time in such aggregate principal amount as Mosaic determines in its discretion. The terms of the Preferred Securities Indenture do not restrict the issuance by Mosaic of any securities of any kind or nature whatsoever.

### ***Additional Indebtedness***

The terms of the Preferred Securities Indenture do not restrict the incurring of additional indebtedness by Mosaic, its subsidiaries or affiliates, whether secured or unsecured and whether ranking senior, *pari passu* or junior to the Offered Preferred Securities.

### ***Amendment to Indenture***

The terms of the Preferred Securities Indenture allow Mosaic, without the consent of the Preferred Securities Trustee or the holders of Preferred Securities, to amend or supplement the Preferred Securities Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not materially adversely affect the rights of the holders of Preferred Securities, considered together as a class and not individually.

### ***Offered Common Shares***

**The following is a brief summary of the material attributes and characteristics of the Offered Common Shares. This summary does not purport to be complete. For full particulars and additional details on the Offered Common Shares, reference should be made to Mosaic's articles, a copy of which is available electronically under Mosaic's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and can be obtained from the Chief Financial Officer at 400, 2424 - 4th Street SW, Calgary, Alberta T2S 2T4, Telephone (403) 218-6500.**

Each Offered Common Share entitles the holder thereof to one vote at meetings of shareholders of Mosaic other than meetings of the holders of another class of shares of Mosaic. Subject to the preferences accorded to holders of the Preferred Shares and any other class of shares of Mosaic ranking senior to or concurrent with the Offered Common Shares, the Offered Common Shares are entitled to dividends, if and when declared by the Mosaic board of directors, and to the distribution of the residual assets of Mosaic in the event of the liquidation, dissolution or winding-up of Mosaic. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Offered Common Shares.

### **PRIOR SALES**

Mosaic has not issued any Preferred Securities or Common Shares, or other securities that are convertible into Preferred Securities or Common Shares, in the 12-month period preceding the date of this Prospectus Supplement except for: (i) restricted securities units ("RSUs") issued under the Securities-Based Compensation Plan as part of Mosaic's variable compensation incentive program; and (ii) 2,524,240 units, comprised of 2,524,240 Preferred Securities and 631,060 Common Share Purchase Warrants, issued as part of the June 2014 Offering.

The following table sets forth information for the securities that Mosaic has issued in the 12-month period preceding the date of this Prospectus Supplement:

| Type of Securities | Date of Issue    | Issue Price | Securities Underlying the RSUs or Units |
|--------------------|------------------|-------------|-----------------------------------------|
| RSUs               | January 10, 2014 | \$11.90     | Up to 142,839 Common Shares             |
|                    |                  | \$11.10     | Up to 153,133 Preferred Securities      |
|                    | May 15, 2014     | \$11.90     | Up to 4,740 Common Shares               |
|                    |                  | \$11.10     | Up to 5,082 Preferred Securities        |
|                    | July 4, 2014     | \$12.73     | Up to 5,892 Common Shares               |
| 2,524,240 units    | June 20, 2014    | \$11.40     | 2,524,240 Preferred Securities          |
|                    |                  |             | 631,060 Common Share Purchase Warrants  |

The RSUs were issued to executive officers, directors and certain consultants and employees of Mosaic and are subject to cancellation in whole or in part to the extent that specified performance criteria are not met or exceeded. The RSUs held by a grantee will vest yearly in three equal tranches starting on or about the date on which Mosaic's board of directors makes its determination as to the degree of success in attaining the performance criteria, which determination will determine the corresponding number of RSUs to remain available for vesting and those to be cancelled (if any) for each grantee. The RSUs are to be settled on a one-for-one basis for the underlying security (either Common Shares or Preferred Securities) and have been issued pursuant to Mosaic's Securities-Based Compensation Plan.

As at December 11, 2014: (i) Mosaic has outstanding, as unconditionally issued and granted 366,296 Common Share RSUs (of which 191,790 are fully vested and 169,506 remain unvested) and 27,932 Preferred Security RSUs (of which 15,908 are fully vested and 12,024 remain unvested); and (ii) Mosaic has outstanding, as conditionally issued as part of the variable compensation incentive program for the 2014 year, the maximum potential number of RSUs to which participants in the 2014 variable compensation incentive program may become entitled (being up to 129,165 Common Share RSUs or 138,477 Preferred Security RSUs, or a combination thereof), but all or a portion of the RSUs conditionally issued to any participant may be cancelled in approximately the second quarter of 2015 to the extent that specified individual and corporate performance criteria are not met as well as based upon certain elections that may be made by the participant. Currently the maximum potential number of Common Shares and Preferred Securities to be delivered upon exercise of the outstanding RSUs is 490,461 Common Shares and 166,409 Preferred Securities.

As part of the Arrangement, certain holders of securities of First West were issued options entitling the holders thereof to acquire an aggregate of 117,425 Series A Shares and 234,850 Common Shares. As at December 11, 2014, the issued and outstanding options entitle the holders thereof to purchase an aggregate of: (i) 69,300 Series A Shares at a weighted average exercise price of \$7.36 per Series A Share (the majority of such options expire in 2017); and (ii) 221,760 Common Shares at a weighted average price of \$3.52 per Common Share (the majority of such options expire in 2017). As at December 11, 2014, there were 41,580 Series A Shares issued and outstanding. The Series A Shares are entitled to a preference over the Common Shares and any other shares ranking junior to the Series A Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Mosaic. The Series A Shares are non-voting and will entitle the holder thereof to a dividend equal to the interest payments made on the Preferred Securities. Each Series A Share is redeemable for one Preferred Security.

On June 20, 2014, Mosaic completed the June 2014 Offering. Mosaic issued 2,524,240 units, comprised of 2,524,240 Preferred Securities and 631,060 Common Share Purchase Warrants, at a price of \$11.40 per unit. The full details of the June 2014 Offering are described in Mosaic's short form prospectus dated June 13, 2014, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**TRADING PRICE AND VOLUME**

The Common Shares trade on the Exchange under the symbol "M". On December 12, 2014, being the last trading day prior to the date of this Prospectus Supplement, the closing price of the Common Shares on the Exchange was \$12.07. The price range and trading volume of the Common Shares for each month from December 2013 to November 2014 and December 1, 2014 to December 12, 2014, as reported by the Exchange are set out below:

| <b>Month</b>          | <b>Price Range</b> |            | <b>Total Volume</b> |
|-----------------------|--------------------|------------|---------------------|
|                       | <b>High</b>        | <b>Low</b> |                     |
| December 2013         | \$12.84            | \$11.25    | 177,424             |
| January 2014          | \$13.10            | \$11.11    | 104,909             |
| February 2014         | \$12.45            | \$11.15    | 61,187              |
| March 2014            | \$12.15            | \$11.00    | 95,767              |
| April 2014            | \$11.50            | \$10.50    | 212,319             |
| May 2014              | \$12.70            | \$10.09    | 127,126             |
| June 2014             | \$13.18            | \$11.86    | 94,866              |
| July 2014             | \$13.50            | \$12.61    | 52,010              |
| August 2014           | \$13.60            | \$12.20    | 70,158              |
| September 2014        | \$14.95            | \$13.00    | 141,529             |
| October 2014          | \$14.30            | \$12.01    | 231,972             |
| November 2014         | \$14.29            | \$12.00    | 310,236             |
| December 1 - 12, 2014 | \$13.50            | \$12.00    | 44,788              |

The Preferred Securities trade on the Exchange under the symbol "M.PR.A". On December 12, 2014, being the last trading day prior to the date of this Prospectus Supplement, the closing price of the Preferred Securities on the Exchange was \$10.25. The price range and trading volume of the Preferred Securities for each month from December 2013 to November 2014 and December 1, 2014 to December 12, 2014, as reported by the Exchange are set out below:

| <b>Month</b>          | <b>Price Range</b> |            | <b>Total Volume</b> |
|-----------------------|--------------------|------------|---------------------|
|                       | <b>High</b>        | <b>Low</b> |                     |
| December 2013         | \$11.49            | \$10.55    | 76,289              |
| January 2014          | \$11.57            | \$10.82    | 82,061              |
| February 2014         | \$11.38            | \$10.70    | 165,027             |
| March 2014            | \$11.19            | \$10.90    | 83,280              |
| April 2014            | \$11.20            | \$10.36    | 137,227             |
| May 2014              | \$11.78            | \$10.98    | 117,424             |
| June 2014             | \$11.44            | \$11.00    | 115,642             |
| July 2014             | \$11.49            | \$11.01    | 120,383             |
| August 2014           | \$11.60            | \$11.17    | 132,773             |
| September 2014        | \$11.68            | \$11.10    | 145,740             |
| October 2014          | \$11.39            | \$10.70    | 129,831             |
| November 2014         | \$11.40            | \$10.90    | 126,153             |
| December 1 - 12, 2014 | \$10.95            | \$10.00    | 49,736              |

**HISTORY OF DIVIDENDS AND DISTRIBUTIONS****Dividends – Common Shares**

In January 2012, the Mosaic board of directors adopted a dividend policy of paying a regular quarterly dividend on the Common Shares. This policy remains in place and dividends are payable at the end of each of March, June, September and December. The quarterly dividend was initiated at \$0.02 per Common Share and has progressively increased over time. On November 13, 2014, Mosaic announced that its board of directors had approved a further increase of the quarterly dividend from \$0.08 per Common Share to \$0.10 per Common Share (or \$0.40 per Common Share on an annualized basis). The first dividend of \$0.10 per Common Share was declared to be paid on December 31, 2014 to all holders of Common Shares of record as of November 28, 2014. Subject to the approval of the board of directors of Mosaic, March 31, 2015 would be the next scheduled dividend payment date.

The amount and payment of future dividends, whether quarterly or otherwise, is subject to the discretion of the Mosaic board of directors and will be dependent upon Mosaic's results of operations, current and anticipated cash requirements, the satisfaction of solvency tests imposed by the ABCA and other relevant factors.

### **Distributions – Preferred Securities**

The Preferred Securities bear simple interest at a rate of \$1.00 per annum which is currently paid monthly (\$0.0833 per Preferred Security) in arrears. Subject to the terms of the Preferred Securities Indenture, interest on the Preferred Securities is generally paid on the 15<sup>th</sup> day of the month following an Interest Period. The current Interest Period is one month and the monthly interest payment is \$0.0833 per Preferred Security. This monthly payment has consistently been made by Mosaic since the inception of Mosaic in 2011. See "*Details of the Offering – Offered Preferred Securities*" in this Prospectus Supplement for further details concerning interest payments. Holders of Offered Preferred Securities of record on December 31, 2014 will be entitled to receive distributions for the December Interest Period.

### **USE OF PROCEEDS**

Mosaic is undertaking this Offering to better position Mosaic to take advantage of acquisition opportunities that may arise from time to time. The total net proceeds from the sale of the Units under this Offering are estimated to be approximately \$10.97 million (or approximately \$12.661 million if the Over-Allotment Option is exercised in full) after deducting the Agents' fees of approximately \$531,063 (or approximately \$610,722 if the Over-Allotment Option is exercised in full) and the expenses of the Offering estimated at \$300,000.

**There is no minimum amount of funds that must be raised under this Offering. This means that Mosaic could complete this Offering after raising only a small proportion of the Offering amount set forth on the face page of this Prospectus Supplement.**

Except as described below, the net proceeds of the Offering will be used for future acquisitions that fit Mosaic's acquisition criteria and for general corporate purposes, which may include the payment of expenses in connection with Mosaic's day-to-day operations. See "*Mosaic's Business – Acquisition Strategy and Investment Criteria*" in the Base Prospectus. Unallocated funds will be added to working capital. To the extent that amounts drawn under the Credit Facility remain unpaid at Closing, all or any portion of the net proceeds of the Offering may be used by Mosaic to repay funds advanced to it pursuant to the Credit Facility. For greater certainty, Mosaic is not required to use the proceeds of the Offering to repay funds advanced to it pursuant to the Credit Facility. Thereafter, Mosaic may re-draw on the Credit Facility. All amounts currently outstanding under the Credit Facility have been drawn to fund Mosaic's recently completed acquisitions.

Mosaic is an investment company that currently owns, or has a controlling interest in, 11 established businesses. Mosaic's ongoing business is to source acquisition and investment opportunities and, subject to approval of Mosaic's board of directors, pursue those opportunities which are strategic for, and in the best interests of, Mosaic and accretive to its securityholders. Mosaic evaluates acquisition and investment opportunities as they arise and is presently reviewing a number of prospective acquisition targets, one or more of which, if eventually culminating in a completed acquisition, would be material to Mosaic. However, due diligence, where commenced, is at an early stage and no legally binding acquisition agreement has been entered into with respect to any target acquisition. It is not possible to predict when or if any such transactions will advance to a completed acquisition and there is no certainty that any acquisitions will be completed in the future. See "*Risk Factors*" in this Prospectus Supplement.

The growth strategy of Mosaic is an ongoing process and there is no one particular significant event or milestone that must occur for Mosaic's growth strategy to be executed other than the identification, negotiation and implementation of acquisitions.

Management of Mosaic will retain broad discretion in allocating the net proceeds of the Offering and Mosaic's actual use of the net proceeds will vary depending on the availability and suitability of acquisition and investment opportunities and its operating and capital needs from time to time. There may be circumstances that are not known at this time where a reallocation of the net proceeds of the Offering or a change in the timing of the expenditure of such proceeds may be advisable for business reasons that management believes are in Mosaic's best interests.

### EARNINGS COVERAGE RATIO

Mosaic's borrowing cost and pro forma distribution requirements on its Preferred Securities, after giving effect to the issue of the Offered Preferred Securities to be distributed under the Base Prospectus, as supplemented by this Prospectus Supplement (not including those issuable upon exercise of the Over-Allotment Option), amounted to approximately \$8.5 million and \$9.5 million for the 12 months ended December 31, 2013 and September 30, 2014, respectively. Mosaic's net income, after deduction for non-controlling interest but before deductions for interest and income tax, for the 12 months ended December 31, 2013 and September 30, 2014 was approximately \$12.2 million and \$13.1 million, respectively, which is approximately 1.43 and 1.38 times Mosaic's aggregate borrowing cost and pro forma distribution requirements for those periods, respectively.

**The earnings coverage ratio for each of the 12 month period ended December 31, 2013 and the 12 month period ended September 30, 2014, after giving effect (in each case) to the issuance hereunder of the Offered Preferred Securities and other items, is 1.43 and 1.38, respectively.**

|                                                  | <i>Pro Forma</i>                          |                    |
|--------------------------------------------------|-------------------------------------------|--------------------|
|                                                  | For the 12 months ended                   |                    |
|                                                  | December 31, 2013                         | September 30, 2014 |
|                                                  | <i>(in thousands of \$, except ratio)</i> |                    |
| Borrowing Costs and Distributions <sup>(1)</sup> | 8,540                                     | 9,547              |
| <b>Denominator for Earnings Coverage Ratio</b>   | <b>8,540</b>                              | <b>9,547</b>       |
| Net Income (Loss) <sup>(2)</sup>                 | 10,030                                    | 11,019             |
| Income Taxes                                     | 1,775                                     | 1,572              |
| Interest Expense                                 | 406                                       | 550                |
| <b>Numerator for Earnings Coverage Ratio</b>     | <b>12,211</b>                             | <b>13,141</b>      |
| <b>Earnings Coverage Ratio</b>                   | <b>1.43</b>                               | <b>1.38</b>        |

<sup>(1)</sup> Includes Mosaic's borrowing costs on all financial liabilities as well as distributions declared on its Preferred Securities for the relevant period as adjusted on a *pro forma* basis as though the Offered Preferred Securities to be distributed under the Base Prospectus, as supplemented by this Prospectus Supplement (not including those issuable on exercise of the Over-Allotment Option), were also outstanding for the relevant period.

<sup>(2)</sup> Net income of Mosaic after deduction of amounts for non-controlling interests. As the acquisition of Industrial Scaffold by Mosaic occurred effective September 1, 2013, only four months of income from Industrial Scaffold's operations is reflected in the net income of Mosaic for the period ended December 31, 2013 and twelve months of income from Industrial Scaffold's operations is reflected in the net income of Mosaic for the period ended September 30, 2014. As the acquisition of Streamline occurred effective June 1, 2014, no income from Streamline is reflected in the net income of Mosaic for the period ended December 31, 2013 and only four months of income from Streamline's operations is reflected in the net income of Mosaic for the period ended September 30, 2014. As the acquisition of Place-Crete by Mosaic occurred effective September 1, 2014, no income from Place-Crete is reflected in the net income of Mosaic for the period ended December 31, 2013 and only one month of income from Place-Crete's operations is reflected in the net income of Mosaic for the period ended September 30, 2014. As the acquisition of SECON by Mosaic occurred effective November 1, 2014, no income from SECON is reflected in the net income of Mosaic for the period ended December 31, 2013 or the period ended September 30, 2014.

### PREFERRED SECURITY PAYOUT RATIO

A description of the non-IFRS financial measures, such as Free Cash Flow and Preferred Security Payout Ratio, used by Mosaic and reconciliations of such non-IFRS financial measures is set forth on pages 1 and 3 in the management's discussion and analysis of Mosaic for the nine-month period ended September 30, 2014, which is incorporated by reference herein, under the headings "*Non-IFRS Financial Measures*" and "*Reconciliations of Non-IFRS Financial Measures*".

The Preferred Security Payout Ratios for the periods indicated are as follows:

|                                        | Twelve months ended<br>December 31, 2013  | Nine months ended<br>September 30, 2014 |
|----------------------------------------|-------------------------------------------|-----------------------------------------|
|                                        | <i>(in thousands of \$, except ratio)</i> |                                         |
| Free Cash Flow <sup>(1)(2)(3)(4)</sup> | \$13,224                                  | \$11,756                                |
| Preferred Distributions                | \$7,473                                   | \$6,475                                 |
| <b>Preferred Security Payout Ratio</b> | <b>57%</b>                                | <b>55%</b>                              |

(1) As the acquisition of Industrial Scaffold occurred effective September 1, 2013, only four months of income from Industrial Scaffold's operations is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013.

(2) As the acquisition of Streamline occurred effective June 1, 2014, no income from Streamline is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013 and only four months of income from Streamline's operations is reflected in the Free Cash Flow for the nine month period ended September 30, 2014.

(3) As the acquisition of Place-Crete by Mosaic occurred effective September 1, 2014, no income from Place-Crete is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013 and only one month of income from Place-Crete's operations is reflected in the Free Cash Flow for the nine month period ended September 30, 2014.

(4) As the acquisition of SECON by Mosaic occurred effective November 1, 2014, no income from SECON is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013 or the nine month period ended September 30, 2014.

Pursuant to the DRIP, distributions paid on Preferred Securities to eligible participants may be automatically reinvested into additional Preferred Securities if the holder so elects. Under the DRIP, holders of Preferred Securities who are residents of Canada and are participating in the DRIP will have distributions relating to their Preferred Securities reinvested into Preferred Securities. The difference between distributions declared and distributions paid is related to securities that were purchased through the facilities of the Exchange to satisfy the DRIP. The DRIP allows Mosaic to elect to have the Preferred Securities purchased on the open market or issued from treasury.

Information regarding the distributions declared and paid to holders of Preferred Securities during the nine months ended September 30, 2014 is set forth below.

| Record Date <sup>(1)</sup> | Distributions<br>Declared<br><i>(in thousands of \$)</i> | Distributions Paid in<br>Cash net of DRIP<br><i>(in thousands of \$)</i> | DRIP<br>Participation <sup>(2)</sup> |
|----------------------------|----------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------|
| January 31, 2014           | \$620                                                    | \$460                                                                    | 26%                                  |
| February 29, 2014          | \$620                                                    | \$457                                                                    | 26%                                  |
| March 31, 2014             | \$637                                                    | \$477                                                                    | 25%                                  |
| April 30, 2014             | \$620                                                    | \$454                                                                    | 27%                                  |
| May 30, 2014               | \$620                                                    | \$451                                                                    | 27%                                  |
| June 30, 2014              | \$838                                                    | \$662                                                                    | 21%                                  |
| July 31, 2014              | \$833                                                    | \$654                                                                    | 21%                                  |
| August 29, 2014            | \$832                                                    | \$648                                                                    | 22%                                  |
| September 30, 2014         | \$824                                                    | \$649                                                                    | 21%                                  |
|                            | <b>\$6,444</b>                                           | <b>\$4,912</b>                                                           | <b>24%</b>                           |

(1) Since listing on the Exchange in May 2011, Mosaic has elected to satisfy its obligation under the DRIP by purchasing Preferred Securities through the facilities of the Exchange rather than issuing Preferred Securities from treasury.

(2) Percentage of distributions on Preferred Securities with respect to which the holders thereof have elected to participate in the DRIP.

### COMBINED PAYOUT RATIO

A description of the non-IFRS financial measures, such as Free Cash Flow and Combined Payout Ratio, used by Mosaic and reconciliations of such non-IFRS financial measures is set forth on pages 1 and 3 in the management's discussion and analysis of Mosaic for the nine-month period ended September 30, 2014, which is incorporated by reference herein, under the headings "*Non-IFRS Financial Measures*" and "*Reconciliations of Non-IFRS Financial Measures*".

The Combined Payout Ratios for the periods indicated are as follows:

|                                        | Twelve months ended<br>December 31, 2013  | Nine months ended<br>September 30, 2014 |
|----------------------------------------|-------------------------------------------|-----------------------------------------|
|                                        | <i>(in thousands of \$, except ratio)</i> |                                         |
| Free Cash Flow <sup>(1)(2)(3)(4)</sup> | \$13,224                                  | \$11,756                                |
| Preferred Distributions                | \$7,473                                   | \$6,475                                 |
| Common Dividends                       | \$1,376                                   | \$1,685                                 |
| <b>Combined Payout Ratio</b>           | 67%                                       | 69%                                     |

<sup>(1)</sup> As the acquisition of Industrial Scaffold occurred effective September 1, 2013, only four months of income from Industrial Scaffold's operations is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013.

<sup>(2)</sup> As the acquisition of Streamline occurred on June 1, 2014, no income from Streamline is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013 and only four months of income from Streamline's operations is reflected in the Free Cash Flow for the nine month period ended September 30, 2014.

<sup>(3)</sup> As the acquisition of Place-Crete by Mosaic occurred effective September 1, 2014, no income from Place-Crete is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013 and only one month of income from Place-Crete's operations is reflected in the Free Cash Flow for the nine month period ended September 30, 2014.

<sup>(4)</sup> As the acquisition of SECON by Mosaic occurred effective November 1, 2014, no income from SECON is reflected in the Free Cash Flow for the twelve month period ended December 31, 2013 or the nine month period ended September 30, 2014.

Information regarding the dividends declared and paid to holders of Common Shares during the nine months ended September 30, 2014 is set forth below. For information regarding the distributions declared and paid to holders of Preferred Securities during the nine months ended September 30, 2014, see "*Preferred Security Payout Ratio*".

| Record Date       | Dividend Per Share | Total Dividends Declared<br><i>(in thousands of \$)</i> |
|-------------------|--------------------|---------------------------------------------------------|
| February 28, 2014 | \$0.06             | \$513                                                   |
| May 30, 2014      | \$0.06             | \$501                                                   |
| August 29, 2014   | \$0.08             | \$671                                                   |
|                   | \$0.20             | \$1,685                                                 |

### CONSOLIDATED CAPITALIZATION OF MOSAIC

The material changes in the consolidated capitalization of Mosaic from September 30, 2014 to December 11, 2014 are as follows:

- On October 31, 2014 Mosaic drew down \$11.0 million on the Credit Facility which immediately prior thereto had a \$9.0 million outstanding balance. Such funds were used in connection with the acquisition on November 1, 2014 by Mosaic of a 75% interest in the business previously carried on by WBD Holdings Ltd., operating as South East Construction. See "*Recent Developments – SECON*".
- On November 1, 2014 Mosaic issued a three-year promissory note in the principal amount of \$3.6 million and bearing interest at 5% per annum. The note was issued as partial consideration to the vendors in connection with the acquisition on November 1, 2014 by Mosaic of a 75% interest in the business previously carried on by WBD Holdings Ltd., operating as South East Construction. See "*Recent Developments – SECON*".

The following table sets forth the pro forma consolidated capitalization of Mosaic both before and after giving effect to the Offering:

| Designation                     | Authorized | As at<br>September 30, 2014 before<br>giving effect to the Offering <sup>(1)</sup> |              | As at<br>September 30, 2014 after<br>giving effect to the Offering <sup>(1)</sup> |                              | As at<br>December 11, 2014 after<br>giving effect to the Offering <sup>(1)</sup> |                              |
|---------------------------------|------------|------------------------------------------------------------------------------------|--------------|-----------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------|------------------------------|
|                                 |            | Outstanding                                                                        | Book Value   | Outstanding                                                                       | Book Value                   | Outstanding                                                                      | Book Value                   |
| Common Shares                   | unlimited  | 8,170,575 <sup>(2)</sup>                                                           | \$14,529,000 | 8,517,675 <sup>(2)</sup>                                                          | \$18,725,040 <sup>(3)</sup>  | 8,517,675 <sup>(2)</sup>                                                         | \$18,725,040 <sup>(3)</sup>  |
| Series A Shares                 | unlimited  | 41,580 <sup>(4)</sup>                                                              | \$270,000    | 41,580 <sup>(4)</sup>                                                             | \$270,000                    | 41,580 <sup>(4)</sup>                                                            | \$270,000                    |
| Preferred Securities            | unlimited  | 9,965,812                                                                          | \$95,801,000 | 10,660,012 <sup>(5)</sup>                                                         | \$103,106,360 <sup>(6)</sup> | 10,660,012 <sup>(5)</sup>                                                        | \$103,106,360 <sup>(6)</sup> |
| Warrants                        | unlimited  | 631,060                                                                            | \$250,000    | 631,060                                                                           | \$250,000                    | 631,060                                                                          | \$250,000                    |
| Operating Loans <sup>(7)</sup>  | N/A        | \$14,807,000                                                                       | N/A          | \$14,807,000                                                                      | N/A                          | \$28,153,004                                                                     | N/A                          |
| Mortgage Payable <sup>(8)</sup> | N/A        | \$1,376,000                                                                        | N/A          | \$1,376,000                                                                       | N/A                          | \$1,351,000                                                                      | N/A                          |
| Notes Payable <sup>(9)</sup>    | N/A        | \$11,268,000                                                                       | N/A          | \$11,268,000                                                                      | N/A                          | \$15,312,016                                                                     | N/A                          |

(1) The number of outstanding securities does not take into account an aggregate of 506,047 Common Shares (490,461 Common Shares as at December 11, 2014) and 166,409 Preferred Securities issuable pursuant to the exercise of RSUs, and 69,300 Series A Shares and 221,760 Common Shares issuable pursuant to options and other incentive rights governed by the Securities-Based Compensation Plan.

(2) The management's discussion and analysis for the nine-month period ended September 30, 2014 reflects 7,969,601 Common Shares outstanding. The difference in the number of Common Shares outstanding results from accounting treatment which requires a reduction in the reported number of outstanding Common Shares equal to the number of Common Shares purchased in the market by the party who has been appointed trustee of the Securities-Based Compensation Plan. As of September 30, 2014, the trustee held 200,974 Common Shares (195,974 Common Shares as at December 11, 2014) in trust on behalf of participants under the Securities-Based Compensation Plan, which will eventually be utilized to satisfy Mosaic's obligation under the Securities-Based Compensation Plan to deliver Common Shares on settlement of securities issued by Mosaic under the Securities-Based Compensation Plan. The number of Common Shares does not take into account an additional 52,065 Offered Common Shares to be issued if the Agents exercise the Over-Allotment Option in full.

(3) The book value of the Common Shares does not take into account an additional 52,065 Offered Common Shares to be issued if the Agents exercise the Over-Allotment Option in full and assumes that expenses for the Offering amount to approximately \$300,000.

(4) Each Series A Share is redeemable for one Preferred Security.

(5) The number of Preferred Securities does not take into account an additional 104,130 Offered Preferred Securities to be issued if the Agents exercise the Over-Allotment Option in full.

(6) The book value of the Preferred Securities does not take into account an additional 104,130 Offered Preferred Securities to be issued if the Agents exercise the Over-Allotment Option in full and assumes that expenses for the Offering amount to approximately \$300,000.

(7) As at September 30, 2014, the Mosaic Credit Facility was drawn down to \$9.0 million (\$20.0 million as at December 11, 2014). See "Credit Facility" in this Prospectus Supplement. FWPLP has obtained two credit facilities with a Canadian chartered bank, namely: (i) a non-revolving demand credit facility in the amount of \$2.26 million (the "Demand Facility") which, as at September 30, 2014 was drawn down to the amount of \$907,000, which remains outstanding as at December 11, 2014; and (ii) a term loan in the amount of \$535,000 (the "Term Loan") which, as at September 30, 2014 was not drawn down (\$476,000 as at December 11, 2014). An additional advance on the Demand Facility of \$1.35 million is anticipated to occur in January 2015. The Demand Facility relates to a commercial property in Saskatoon acquired by FWPLP and which has been classified as income-producing as of September 30, 2014. This facility bears interest at prime plus 1.0% with interest payable monthly until January 2015 and thereafter principal and interest is payable together on a monthly basis (amortized over a 20-year period). Borrowings under the facility are secured, in part, by a general security agreement and a demand collateral mortgage both in respect to the Saskatoon property. The Term Loan is to provide term financing for a land development project based in Estevan, Saskatchewan. This loan bears interest at prime plus 1.0% with principal and interest payable monthly (amortized over a 20-year period). Borrowings under the Term Loan are secured, in part, by a general security agreement and a demand collateral mortgage both in respect to the Estevan property. In addition, Streamline has an operating facility in the amount of \$10 million. As at September 30, 2014, Streamline had drawn down approximately \$4.9 million on this operating facility (\$4.0 million as at December 11, 2014). This operating facility is a revolving demand credit facility and is secured by a general security agreement over all present and after acquired personal property of Streamline. The facility bears interest at prime plus 0.75% to 1.25%, depending on the calculation of certain covenants under the facility, and total borrowings under the facility cannot exceed 75% of accounts receivable (as defined by the terms of the facility). Ambassador has in place a revolving demand credit facility which can be drawn to the lesser of \$3 million or the combined value of eligible assigned accounts receivable and inventories (as defined by the terms of the facility). Borrowings are secured by a charge against the assets of Ambassador, and the facility bears interest at the prime rate of the lending institution plus 0.5%. As at each of September 30, 2014 and December 11, 2014, Ambassador had not drawn on the facility. Industrial Scaffold has in place a demand revolving credit facility which was increased to \$4 million effective June 4, 2014, secured by a charge against the assets of Industrial Scaffold. Borrowings under this facility cannot exceed 75% of accounts receivable (as defined by the terms of the facility), and interest is charged at the prime rate of the lending institution plus 1.0%. As at December 11, 2014, Industrial Scaffold had not drawn down on this credit facility. SECON has received advances from WBD Holdings Ltd. in the aggregate amount of approximately \$2.77 million as of December 11, 2014. Such advances bear interest at the prime rate of a Canadian chartered bank plus 0.5%, are unsecured and have been utilized to fund working capital requirements and for general corporate purposes.

(8) Mortgage payable includes a first mortgage held by an independently-owned mortgage service company which was assumed by Mosaic and which relates to a commercial property that has been classified as an income-producing property. The mortgage matures in January 2015 and bears interest at 5.39%, payable with fixed monthly blended payments of \$15,000 and is secured by a mortgage and a general security agreement against the property.

(9) Notes payable include vehicle financing, equipment and leasehold improvement loans, finance leases and notes payable to holders of non-controlling interests. As at September 30, 2014 notes payable to holders of non-controlling interests amounted to \$7.35 million (\$9.82 million as at December 11, 2014). Industrial Scaffold has in place a \$750,000 non-revolving demand term credit facility, secured by a charge against the assets of Industrial Scaffold, and bearing interest at 3.32%. As at September 30, 2014, the facility had a balance of \$524,000 (\$492,000 as at December 11, 2014). Streamline has a term loan facility for up to \$4 million which bears interest at prime plus 0.75% to 1.25%, depending on the calculation of certain covenants under the term loan. The purpose of the term loan facility is for equipment and vehicle purchases, and borrowings under the facility are secured by a general security agreement and a fixed charge over the equipment. As at September 30, 2014, Streamline had \$236,000 outstanding on this facility (\$220,000 as at December 11, 2014).

## CREDIT FACILITY

Mosaic entered into an agreement (the "**Credit Agreement**") with ATB Corporate Financial Services on May 20, 2014 to provide \$25 million in credit facilities to Mosaic (the "**Credit Facility**"). A copy of the Credit Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Credit Facility is comprised of a \$25 million revolving committed operating loan for the purposes of acquisitions, day to day operating requirements and capital expenditures. The Credit Facility is for a three-year term, bearing interest at rates ranging from prime plus 0.50% - 1.25%. The Credit Facility is secured by, among other things, general security agreements granted by Mosaic and certain of its subsidiaries together with the assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries. As at December 11, 2014 Mosaic has an outstanding balance of approximately \$20.0 million on the Credit Facility which relates to funding of its acquisitions.

The Credit Agreement contains, among other things, the following covenants: (i) Mosaic will not complete any acquisition other than a Permitted Acquisition (as defined in the Credit Agreement); and (ii) Mosaic shall not incur or permit to be incurred any capital expenditure using proceeds from the Credit Facility if the aggregate amount of all capital expenditures of Mosaic on a consolidated basis, including such proposed capital expenditure at such time, using proceeds from the Credit Facility, exceeds \$5 million in the aggregate.

The Credit Agreement also contains certain financial covenants stating that Mosaic will not at any time, without prior written consent, breach the following restrictions: (i) permit the ratio of net funded debt to EBITDA to exceed (A) 2.5:1 for the fiscal quarters ending June 30, 2014, September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015; and (B) 2:1 thereafter; or (ii) permit the fixed charge coverage ratio to be less than 1.15:1; provided that the fixed charge coverage ratio shall only be tested if net funded debt is greater than zero.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, Mosaic has agreed to issue and sell, and the Agents have agreed to offer on a best efforts basis, on the date of Closing, subject to the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on behalf of Mosaic by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Agents by Borden Ladner Gervais LLP, up to 347,100 Units at a price of \$34.00 per Unit for total gross consideration of up to \$11,801,400. Mosaic has agreed to pay the Agents a commission of 4.5% of the gross proceeds from the sale of the Units, being an aggregate of approximately \$531,063. The Agents will also be reimbursed for certain expenses incurred in connection with the Offering. Mosaic has also granted to the Agents, for a period of 30 days following the Closing, the Over-Allotment Option to offer up to 52,065 additional Units at a price of \$34.00 per Unit payable in immediately available funds against delivery of such additional Units, to cover over-allotments and for market stabilization purposes, if any. If the Over-Allotment Option is exercised in full, the Agents will receive a commission of 4.5% of the gross proceeds raised pursuant to the exercise of such Over-Allotment Option. The terms of the Offering were determined by negotiation among Mosaic and the Agents.

The Base Prospectus, as supplemented by this Prospectus Supplement, also qualifies the distribution of the Units issuable upon exercise of the Over-Allotment Option as well as the distribution of the Offered Preferred Securities and Offered Common Shares comprising those Units. A purchaser who acquires securities forming part of the Agents' over-allocation position acquires those securities under the Base Prospectus, as supplemented by this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The obligations of the Agents under the Agency Agreement may be terminated at the discretion of the Agents on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events. Mosaic has agreed to indemnify the Agents and each of their directors, officers, employees and agents against certain liabilities including, without limitation, civil liabilities under Canadian provincial securities legislation and to contribute to any payments the Agents may be required to make in respect thereof.

For a period of 90 days from the Closing Date, each of the directors and officers of Mosaic will not, directly or indirectly: (i) issue, offer, sell, contract to sell, secure, pledge, grant an option, right or warrant to purchase or otherwise lend, transfer or dispose of (or announce any intention to do so), any equity securities of Mosaic, whether now owned directly or indirectly, or under their control or direction, or with respect to which each has beneficial ownership; or (ii) make any short sale, engage in any hedging transactions, or enter into any swap or other

arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Shares or Preferred Securities, whether any such transaction is to be settled by delivery of Common Shares, other securities, cash or otherwise, other than pursuant to: (A) a take-over bid or any other similar transaction made generally to all of the shareholders of Mosaic; (B) an internal reorganization of any entities controlled by such director or officer; (C) 6,000 Common Shares that may be sold by an officer of Mosaic, whether pursuant to the exercise of RSUs and the subsequent sale of the underlying Common Shares or otherwise; and (D) sales made by the trustee of the RSUs for, or on behalf of, participants pursuant to the terms of the Securities-Based Compensation Plan.

The Offered Preferred Securities and Offered Common Shares offered for sale under the Offering have not been and will not be registered under the U.S. Securities Act or the securities laws of any states in the U.S. and, subject to certain exemptions, may not be offered or sold or otherwise transferred or disposed of in the U.S. The Agents have agreed that they will not offer or sell the Offered Preferred Securities and Offered Common Shares within the United States.

Pursuant to policy statements of the securities regulatory authority in Ontario, the Agents may not, throughout the period of distribution, bid for or purchase Preferred Securities or Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Preferred Securities or the Common Shares. These exceptions include a bid or purchase permitted under the rules of the applicable regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first mentioned exception, in connection with the Offering, the Agents may effect transactions which stabilize or maintain the market price of the Preferred Securities or the Common Shares at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Exchange has conditionally approved the listing of the Offered Preferred Securities and Offered Common Shares which comprise the Units distributed under the Base Prospectus, as supplemented by this Prospectus Supplement, including any Offered Preferred Securities and Offered Common Shares issued pursuant to the exercise of the Over-Allotment Option (as defined below). Listing will be subject to Mosaic fulfilling all of the listing requirements of the Exchange.

The issued and outstanding Common Shares, Preferred Securities and Common Share Purchase Warrants of Mosaic trade on the Exchange under the symbols "M", "M.PR.A" and "M.WT", respectively. On December 12, 2014, the last trading day prior to the date of this Prospectus Supplement, the closing price of the issued and outstanding Common Shares, Preferred Securities and Common Share Purchase Warrants on the Exchange were \$12.07, \$10.25, and \$0.35, respectively.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Closing is expected to take place on or about December 19, 2014 or such other date as Mosaic and the Agents may agree but in any event, no later than December 31, 2014. Pursuant to the terms of the Agency Agreement, all subscription funds received from subscribers will be retained in trust by the Agents pending closing of the Offering. If the Closing has not occurred prior to December 31, 2014, the Agents will promptly return the proceeds of the subscriptions received, if any, to the proposed subscribers without interest or deduction unless such proposed subscribers have otherwise instructed the Agents.

The Offered Preferred Securities and the Offered Common Shares offered for sale under the Offering will be issued electronically through the non-certificated inventory system of, and held by, or on behalf of, CDS as custodian for the direct and indirect participants of CDS. No certificates evidencing the Offered Preferred Securities or Offered Common Shares will be issued to subscribers as subscribers for Units will receive only a customer confirmation from a registered dealer that is a participant in the CDS depository service and from or through which the Units are purchased.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Farris, Vaughan, Wills & Murphy LLP, counsel to Mosaic, and Borden Ladner Gervais LLP, counsel to the Agents, the following summary describes the principal Canadian federal income tax

considerations under the Tax Act generally applicable as of the date hereof to the acquisition, holding and disposition of Offered Preferred Securities and Offered Common Shares acquired pursuant to this Offering.

This summary is applicable to investors who acquire Units pursuant to this Offering and each of whom, at all relevant times for the purposes of the Tax Act: (a) is or is deemed to be resident in Canada; (b) deals at arm's length and is not affiliated with Mosaic; (c) holds all Offered Preferred Securities and Offered Common Shares as capital property; (d) does not enter into a "derivative forward agreement" (as defined in the Tax Act) in respect of the Offered Preferred Securities or the Offered Common Shares; and is not: (e) a "financial institution" for the purposes of the "mark-to-market property" rules as defined in the Tax Act; (f) a person or partnership an interest in which is a "tax shelter investment"; or (g) a taxpayer who has made a "functional currency" election pursuant to section 261 of the Tax Act (each such investor, a "**Holder**").

A Holder's Offered Preferred Securities and Offered Common Shares generally will be considered to be capital property of the Holder provided that the Holder neither holds the relevant securities in the course of carrying on a business of trading or dealing in securities nor acquired them in a transaction considered to be an adventure in the nature of trade. Certain Holders whose Offered Preferred Securities or Offered Common Shares might not otherwise be capital property may in certain circumstances be entitled to make an irrevocable election under subsection 39(4) of the Tax Act to have such securities, and every other "Canadian security" (as defined in the Tax Act) owned by the Holder in the taxation year in which the election is made and in all subsequent taxation years, deemed to be capital property.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act or regulations thereunder announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and counsels' understanding of the current published administrative practices and assessing policies of the CRA. It is assumed that the Proposed Amendments will be enacted in the form currently proposed although no assurance can be given in this regard. Except for the Proposed Amendments, this summary does not take into account or anticipate any change in law, whether by legislative, governmental, regulatory, or judicial action or decision, or in the administrative practices or assessing policies of the CRA, and does not take into account any provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not, and is not to be construed as, legal or tax advice to any particular Holder and no representation with respect to the tax consequences to any particular Holder is made. Accordingly each Holder should consult the Holder's own tax advisers regarding the Canadian federal income tax consequences applicable to the Holder's particular circumstances.**

#### **Allocation of Cost of Units**

Each Holder who acquires a Unit pursuant to this Offering will be required to allocate the Offering Price of the Unit on a reasonable basis to the Offered Preferred Securities and Offered Common Share that make up the Unit.

Mosaic has advised counsel that for its purposes, Mosaic intends to allocate \$10.80 of the Offering Price as consideration for the issue of each Offered Preferred Security and \$12.40 of the Offering Price for the issue of each Offered Common Share. Although counsel understands that Mosaic believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The cost to the Holder of the Offered Preferred Securities and Offered Common Shares so acquired at any particular time will be averaged with the adjusted cost base ("**ACB**") of any other Preferred Securities or Common Shares, as applicable, held by the Holder at that time.

#### **Offered Preferred Securities**

##### ***Interest on Offered Preferred Securities***

An Offered Preferred Security is considered to be a debt obligation issued by Mosaic for Canadian income tax purposes.

A Holder that is a corporation or a partnership, or unit trust, or any trust of which a corporation or partnership is a beneficiary, generally will be required to include in its income for a taxation year any amount that is, or is considered for the purposes of the Tax Act to be, interest on the Offered Preferred Security that accrued to the Holder up to the end of the year or that became receivable or was received by the Holder before the end of the year, except to the extent that it was included in computing the Holder's income for a preceding taxation year.

Any other Holder, including an individual, generally will be required to include in income for a taxation year any amount received or receivable (depending upon the method regularly followed by the Holder when computing income) by the Holder as interest in the year on the Offered Preferred Security, to the extent that the Holder did not include such amount in income for a preceding taxation year.

In addition, a Holder (other than a corporation, partnership, or unit trust, or any trust of which a corporation or partnership is a beneficiary) whose Offered Preferred Security is or becomes an "investment contract" (as defined in the Tax Act) in a taxation year will be required to include in the Holder's income for the year any interest that accrues to the Holder on the Offered Preferred Security up to the "anniversary day" (as defined in the Tax Act) in that year to the extent the Holder did not include such interest in the Holder's income for that or any preceding taxation year. Offered Preferred Securities may be regarded as "investment contracts" for these purposes if Mosaic exercises its right under the terms of the Preferred Securities Indenture to defer payment indefinitely of all or any part of any accrued interest otherwise due on the Offered Preferred Securities.

A Holder that acquires new Preferred Securities rather than cash in respect of an interest payment on the Holder's Offered Preferred Securities under the terms of the DRIP or any similar plan will be required to include the fair market value of the new Preferred Securities in the Holder's income for the taxation year in which the new Preferred Securities are received, to the extent that the Holder did not otherwise include the amount in the Holder's income for a preceding taxation year. The Holder will acquire such Preferred Securities at a cost equal to the amount that the Holder includes in its income in respect of the receipt of the securities.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax equal to 6 $\frac{2}{3}$ % of its "aggregate investment income" (as defined in the Tax Act) for a taxation year, which will include any interest on an Offered Preferred Security that is included in the Holder's income for the year.

If Mosaic defers the payment of interest on the Offered Preferred Securities in a taxation year, Holders may be required to include some or all of the deferred interest in the Holder's income for the year and pay income tax thereon notwithstanding that they have not received the deferred interest in the year.

### ***Disposition of Offered Preferred Securities***

A Holder who disposes of or is deemed to dispose of an Offered Preferred Security in a taxation year, including on a redemption or repayment thereof by Mosaic at or before maturity, will generally be required to include in income for the year any unpaid interest accrued from the date of the last interest payment to the Holder to the date of disposition, except to the extent that the Holder has otherwise included the amount in income in that or any preceding taxation year.

The Holder will realize a capital gain (or capital loss) on the disposition equal to the amount, if any, by which the proceeds of disposition (net of accrued interest and reasonable costs of disposition) exceed (or are exceeded by) the ACB of the Offered Preferred Security to the Holder determined immediately before the disposition. Any such capital gain (or capital loss) will be taxable (or deductible) as discussed below (see "*Taxation of Capital Gains and Capital Losses*").

### **Offered Common Shares**

#### ***Dividends on Offered Common Shares***

Each Holder will be required to include in the Holder's income for a taxation year any dividend that the Holder receives or is deemed to receive on an Offered Common Share in the year.

A Holder who is an individual (including most trusts) will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by an individual from a taxable Canadian corporation, including the enhanced gross-up and dividend tax credits applicable to "eligible dividends" (as defined in the Tax Act).

A Holder that is a corporation will generally be entitled to deduct the amount of the dividend from its taxable income (subject to the possible application of the anti-capital gains stripping rules in subsection 55(2) the Tax Act). A Holder that is a "private corporation" (as defined in the Tax Act) or a corporation that is controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals (other than one or more trusts) may be liable under Part IV of the Tax Act to pay a refundable tax of 33⅓% of the dividend.

### ***Disposition of Offered Common Shares***

A Holder who disposes of or is deemed to dispose of an Offered Common Share will realize a capital gain (or capital loss) on the disposition equal to the amount, if any, by which the proceeds of disposition (net of reasonable costs of disposition) exceed (or are exceeded by) the ACB of the Offered Common Share to the Holder determined immediately before the disposition. Any such capital gain (or capital loss) will be taxable (or deductible) as discussed below (see "*Taxation of Capital Gains and Capital Losses*").

### **Taxation of Capital Gains and Losses**

Generally a Holder must include one half of any capital gain ("**taxable capital gain**") realized on disposition of an Offered Preferred Security or Offered Common Share in income in the taxation year in which the disposition occurs. The Holder generally will be entitled to deduct one half of any capital loss so realized from taxable capital gains realized in the year and, to the extent not so deductible, against taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, to the extent and in the circumstances described in the Tax Act.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout a taxation year may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" (as defined in the Tax Act) for the year, which generally will include an amount in respect of any capital gain realized by the Holder in the year.

A capital loss realized by Holder that is a corporation on the disposition of an Offered Common Share may, to the extent and in circumstances set out in the Tax Act, be reduced by the amount of any dividends that the Holder previously received or was deemed to have received on the Offered Common Share. Similar rules may apply to a Holder that is a trust or partnership of which a corporation, trust or partnership is a beneficiary or member. Holders to which these rules may apply should consult their own tax advisers.

### **Alternative Minimum Tax on Holders who are Individuals**

A capital gain realized by a Holder who is an individual (including certain trusts and estates) may give rise to liability for alternative minimum tax under the Tax Act.

## RISK FACTORS

**An investment in the Units offered hereunder is speculative and involves a high degree of risk that should be carefully considered by a prospective purchaser. Prior to making an investment in the Units, investors should carefully consider the risks described at pages 14-23 under the heading "Risk Factors" of the AIF, which is incorporated by reference herein, the risks identified elsewhere in the Base Prospectus and this Prospectus Supplement and the other documents incorporated by reference herein and the risk factors set forth below. See "*Documents Incorporated by Reference*" in this Prospectus Supplement.**

### **Risks Related to the Offering**

#### ***No Assurance of Active or Liquid Market***

No assurance can be given that an active or liquid trading market for the Preferred Securities or the Common Shares will be sustained. If an active or liquid market for the Preferred Securities or Common Shares fails to be sustained, the prices at which the Preferred Securities and the Common Shares trade may be adversely affected. Whether or not the Preferred Securities or Common Shares will trade at lower prices depends on many factors, including the liquidity of the Preferred Securities or Common Shares, prevailing interest rates and the markets for similar securities, general economic conditions and Mosaic's financial condition, historic financial performance and future prospects.

#### ***No Guarantee of Interest Payments on Offered Preferred Securities***

Each Offered Preferred Security bears simple interest at a rate of 10% per annum upon the \$10 principal amount thereof which, therefore, gives rise to an entitlement to a monthly distribution in the amount of \$0.0833 (\$1.00 per annum) which is payable monthly in arrears. Although interest payable on the Offered Preferred Securities will be cumulative and non-compounding, Mosaic may indefinitely defer payment of all or part of any accrued interest otherwise due on an interest payment date in accordance with the terms of the Preferred Securities Indenture. There can be no assurance regarding the amount of income and cash flow generated by Mosaic. The ability of Mosaic to pay interest on the Offered Preferred Securities and the actual amount paid are entirely dependent on the operations and assets of Mosaic, and are subject to various factors including financial performance, payment obligations under existing agreements, the sustainability of income and cash flow derived from operations and capital expenditure requirements. Mosaic may be required to use part of its debt capacity, or reduce or defer interest payments, in order to address such factors. The market value of the Offered Preferred Securities will significantly deteriorate if Mosaic is unable to make the interest payments on the Offered Preferred Securities.

#### ***Subordination of Offered Preferred Securities***

The obligations under the Offered Preferred Securities constitute unsecured and subordinated obligations of Mosaic. The terms of the Preferred Securities Indenture do not restrict the incurring of additional indebtedness by Mosaic, or its subsidiaries or affiliates, whether secured or unsecured and ranking senior, *pari passu* or junior to the Offered Preferred Securities. In the event of a bankruptcy, liquidation or reorganization of Mosaic or any of its subsidiaries, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of Mosaic before any assets are made available for distribution to Mosaic or its holders of Offered Preferred Securities. The Offered Preferred Securities are and will be subordinated to the debt and other obligations of Mosaic. As a result, holders of Offered Preferred Securities may not receive any payment on their Offered Preferred Securities in the event of insolvency or winding-up of Mosaic.

#### ***Non-Redeemable Offered Preferred Securities***

The Offered Preferred Securities are non-redeemable by the holders of the Offered Preferred Securities and holders of Offered Preferred Securities will not be able to liquidate their investments by exercising redemption rights.

#### ***No Rights as a Shareholder***

The Preferred Securities Indenture does not confer any rights as a shareholder of Mosaic upon the holders of Offered Preferred Securities or entitle the holders of Offered Preferred Securities to any voting privileges or to receive

notice of or attend at any meeting of the shareholders. Holders of Offered Preferred Securities will not have the statutory rights normally associated with ownership of shares of a corporation, including for example the right to bring "oppression" or "derivative" actions.

### ***Return Not Certain***

There is no guarantee that an investment in securities of Mosaic will earn any positive return in the short or long term. An investment in Units may be more volatile and risky than some other forms of investment. All prospective investors should consider an investment in Mosaic within the overall context of their investment policies and objectives.

### ***Public Markets and Share Prices***

The market price of the Preferred Securities and Common Shares, including the Offered Preferred Securities and the Offered Common Shares, could be subject to significant fluctuations in response to variations in Mosaic's operating results or other factors. In addition, fluctuations in the stock market may adversely affect the market price of the Preferred Securities and Common Shares, including the Offered Preferred Securities and the Offered Common Shares, regardless of the operating performance of Mosaic. Securities markets have also experienced significant price and volume fluctuations from time to time. In some instances, these fluctuations have been unrelated or disproportionate to the operating performance of issuers. Market fluctuations may adversely impact the market price of the Preferred Securities and Common Shares, including the Offered Preferred Securities and the Offered Common Shares. There can be no assurance of the price at which the Preferred Securities or Common Shares will trade.

### ***Additional Issuances and Dilution***

Mosaic may issue and sell additional securities of Mosaic, including Preferred Securities, Series A Shares, Common Shares and other securities of Mosaic to finance its operations or future acquisitions. Mosaic cannot predict the size of future issuances of securities of Mosaic or the effect, if any, that future issuances and sales of such securities will have on the market price of any securities of Mosaic issued and outstanding from time to time. Sales or issuances of substantial amounts of securities of Mosaic, or the perception that such sales could occur, may adversely affect prevailing market prices for securities of Mosaic issued and outstanding from time to time. With any additional sale or issuance of securities of Mosaic, holders will suffer dilution with respect to voting power and may experience dilution in Mosaic's earnings per share. Moreover, the Base Prospectus may create a perceived risk of dilution resulting in downward pressure on the price of Mosaic's issued and outstanding Common Shares, Preferred Securities and Common Share Purchase Warrants, which could contribute to progressive declines in the prices of such securities.

### ***Mosaic has Broad Discretion in the Use of the Net Proceeds from this Offering***

Management of Mosaic will have broad discretion with respect to the application of net proceeds received by Mosaic from the sale of the Units under the Base Prospectus, as supplement by this Prospectus Supplement and may spend such proceeds in ways that do not improve Mosaic's results of operations or enhance the value of the Common Shares, including the Offered Common Shares, or its other securities issued and outstanding from time to time. Any failure by management to apply these funds effectively could result in financial losses that could have a material adverse effect on Mosaic's business or cause the price of the securities of Mosaic issued and outstanding from time to time to decline.

## **Risks Related to the Business**

### ***Completion of Potential Acquisitions***

Any potential acquisition, if it proceeds, will be subject to conditions, including, without limitation, satisfactory completion of Mosaic's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the Mosaic's board of directors. As a result, there can be no assurance that Mosaic will complete any acquisitions on the basis described in the Base Prospectus, this Prospectus Supplement or otherwise publically announced from time to time. If Mosaic does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as

legal, accounting and consulting fees, must be paid even if an acquisition is not completed; (iii) if the Offering is completed, Mosaic may possess substantial unutilized acquisition capacity, which would cause its financial performance to be negatively impacted until suitable opportunities are identified for acquisition and such acquisitions are completed; and (iv) there is no assurance that such suitable opportunities will be available to Mosaic in the future or at all.

### ***Resource and Commodities Sector***

Currently Mosaic holds an investment in several businesses which provide, directly or indirectly, oil and gas and mining sector services. In recent years, delays, capital investment or scope reductions and/or cancellations in previously announced or anticipated projects in the oil and gas and commodities mining sectors have demonstrated that economic activity in these sectors could be impacted by a variety of factors, including, but not limited to: the pricing of oil, potash and other commodities; market volatility; the impact of global economic conditions affecting demand or global financial markets; cost overruns on announced projects; efforts by owners to contractually shift risk for cost overruns to contractors; fluctuations in the availability of skilled labour; lack of sufficient governmental infrastructure to support growth; and the potential introduction of new "green" legislation. Any one or more of these or other factors may result in material adverse impacts to existing and previously projected oil and gas and mining sector activity and development, including postponements, cancellations and/or capital investment or scope reductions in respect to existing and new projects. These and other similar impacts or developments could have a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows.

### **Risks Related to Tax**

#### ***Tax Consequences***

Tax filings made or to be made by Mosaic, including those related to income and expenses as well as those arising out of acquisition or disposition transactions, involve interpretations of the Tax Act which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to Mosaic. Further, the acquisition and disposition of businesses and assets by Mosaic often involve various structuring events to complete the transactions in a tax efficient manner and, consequently, involve interpretations of the Tax Act which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to Mosaic.

There may be an enactment, promulgation or public announcement of a change or proposed change in tax law (including a specific proposal to amend the Tax Act publicly announced by the Department of Finance of Canada or the Minister of Finance of Canada) or applicable case law or written and published interpretative guidance or policy of the CRA or provincial equivalent that could result in a material impairment of, or materially adversely affect, the operations or financial or tax position of Mosaic or its subsidiaries.

Holders of Offered Preferred Securities may be required to pay income tax for a taxation year on interest, if any, the payment of which is deferred by Mosaic until a date that is after the taxation year.

### **AUDITORS, TRANSFER AGENT, REGISTRAR AND TRUSTEE**

The auditors of Mosaic are Deloitte LLP, Chartered Accountants, of Calgary, Alberta. Deloitte LLP was first appointed as auditors of Mosaic on March 9, 2011.

The transfer agent and registrar for the Preferred Securities and the Common Shares is Computershare Trust Company of Canada at its principal transfer offices in Calgary, Alberta. Computershare Trust Company of Canada is the trustee pursuant to the Preferred Securities Indenture, which provides for the issue of the Offered Preferred Securities, as amended, supplemented or restated from time to time.

### **EXPERTS**

The matters referred to under "*Eligibility for Investment*" and "*Certain Canadian Federal Income Tax Considerations*" and certain other legal matters relating to the Offered Preferred Securities and the Offered Common Shares offered by the Base Prospectus, as supplement by this Prospectus Supplement, will be passed upon at Closing on behalf of Mosaic by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Agents by Borden Ladner Gervais LLP. As at the date hereof, the partners and associates of each of Farris, Vaughan, Wills & Murphy LLP and Borden

Ladner Gervais LLP collectively beneficially own, directly or indirectly, less than 1% of the outstanding securities of Mosaic. Deloitte LLP as external auditor is independent of Mosaic within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

#### **PURCHASER'S STATUTORY RIGHTS**

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

**CERTIFICATE OF MOSAIC**

Dated: December 15, 2014

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada except Québec.

**MOSAIC CAPITAL CORPORATION**

By: (Signed) JOHN MACKAY  
Chief Executive Officer

By: (Signed) HAROLD KUNIK  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

By: (Signed) ROGER GIOVANETTO  
Director

By: (Signed) WILLIAM H. SMITH  
Director

**CERTIFICATE OF THE AGENTS**

Dated: December 15, 2014

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada except Québec.

**CLARUS SECURITIES INC.**

(Signed) MARK PAVAN

**CANACCORD GENUITY CORP.**

(Signed) JAMES MERKUR

**RAYMOND JAMES LTD.**

(Signed) REBECCA RENNISON

**MACKIE RESEARCH CAPITAL CORPORATION**

(Signed) P. GAGE JULL

**GMP SECURITIES L.P.**

(Signed) ALFRED AVANESSY

**NATIONAL BANK FINANCIAL INC.**

(Signed) NOAM SILBERSTEIN



*This prospectus is a short form base shelf prospectus. This short form base shelf prospectus has been filed under legislation in each of the provinces of Canada except Québec that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. These securities may not be offered or sold in the United States and this short form base shelf prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Mosaic Capital Corporation at 400, 2424 - 4<sup>th</sup> Street SW, Calgary, Alberta T2S 2T4, Telephone (403) 218-6500, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

September 19, 2014



**Mosaic Capital Corporation**  
**\$200,000,000**

**Common Shares**  
**Preferred Shares**  
**Warrants**  
**Preferred Securities**  
**Debt Securities**  
**Subscription Receipts**  
**Units**

This short form base shelf prospectus ("**Prospectus**") relates to the offering for sale by Mosaic Capital Corporation ("**Mosaic**") from time to time, during the 25-month period that this Prospectus, including any amendments thereto, remains valid, of up to \$200,000,000 in the aggregate of: (i) common shares ("**Common Shares**") in the capital of Mosaic; (ii) preferred shares ("**Preferred Shares**") in the capital of Mosaic, issuable in series; (iii) warrants ("**Warrants**") to purchase other Securities (as defined below) of Mosaic; (iv) preferred securities ("**Preferred Securities**") of Mosaic; (v) debt securities other than Preferred Securities ("**Debt Securities**"), which may consist of bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description and which may be issuable in series; (vi) subscription receipts ("**Subscription Receipts**") convertible into other Securities of Mosaic; and (vii) units ("**Units**") comprising of one or more of the other Securities described herein in any combination (the Common Shares, Preferred Shares, Warrants, Preferred Securities, Debt Securities, Subscription Receipts and Units are collectively referred to herein as the "**Securities**").

The specific terms of any Securities offered will be described in one or more shelf prospectus supplements (collectively or individually, as the case may be, a "**Prospectus Supplement**"), including, where applicable: (i) in the case of Common Shares, the number of Common Shares offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution) and any other specific terms; (ii) in the case of Preferred Shares, the designation of the particular class and series, the number of Preferred Shares offered, the offering price (in the event the offering is a fixed price

distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), any voting rights, any rights to receive dividends, any terms of redemption, any conversion or exchange rights and any other specific terms; (iii) in the case of Warrants, the number of Warrants being offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), the designation, number and terms of the other Securities purchasable upon exercise of the Warrants, and any procedures that will result in the adjustment of those numbers, the exercise price, the dates and periods of exercise and any other specific terms; (iv) in the case of Preferred Securities, the number of Preferred Securities offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution) and any other specific terms; (v) in the case of Debt Securities, the specific designation of the Debt Securities, the aggregate principal amount of the Debt Securities, the maturity, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), whether payment on the Debt Securities will be senior or subordinated to Mosaic's other liabilities and obligations, whether the Debt Securities will bear interest, the interest rate or method of determining the interest rate, any interest payment date(s), covenants, events of default, any terms of redemption, any conversion or exchange rights and any other specific terms; (vi) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is a non-fixed price distribution), the terms, conditions and procedures for the conversion of the Subscription Receipts into other Securities, the designation, number and terms of such other Securities, and any other specific terms; and (vii) in the case of Units, the number of Units offered, the offering price, the designation, number and terms of the other Securities comprising the Units, and any other specific terms. A Prospectus Supplement relating to a particular offering of Securities may include terms pertaining to the Securities being offered thereunder that are not within the terms and parameters described in this Prospectus.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

Mosaic may offer and sell the Securities to or through underwriters or dealers purchasing as principals, and may also sell directly to one or more purchasers or through agents or pursuant to applicable statutory exemptions. See "*Plan of Distribution*". The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent, as the case may be, engaged by Mosaic in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including, to the extent applicable, any fees, discounts or any other compensation payable to underwriters, dealers or agents in connection with the offering, the method of distribution of the Securities, the initial issue price (in the event that the offering is a fixed price distribution), the proceeds that Mosaic will receive and any other material terms of the plan of distribution.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to Mosaic. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

In connection with any offering of Securities, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level other than those which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time. See "*Plan of Distribution*".

The issued and outstanding Common Shares, Preferred Securities and common share purchase warrants (the "**Common Share Purchase Warrants**") of Mosaic trade on the TSX Venture Exchange (the "**Exchange**") under the symbols "M", "M.PR.A" and "M.WT", respectively. On September 18, 2014, the last trading day prior to the date of this Prospectus, the closing price of the issued and outstanding Common Shares, Preferred Securities and Common Share Purchase Warrants on the Exchange were \$14.45, \$11.40, and \$0.67, respectively.

**Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Common Shares, Preferred Securities and Common Share Purchase Warrants) will be a new issue of Securities with no established trading market. Accordingly, there is currently no market through which the Securities (other than Common Shares, Preferred Securities and Common Share Purchase Warrants) may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation. See "*Risk Factors*".**

Prospective investors should be aware that the purchase of Securities may have tax consequences that may not be fully described in this Prospectus or in any Prospectus Supplement, and should carefully review the tax discussion, if any, in the applicable Prospectus Supplement and in any event consult with a tax adviser.

**An investment in the Securities is subject to a number of risks. See "*Risk Factors*" for a more complete discussion of these risks.**

**No person is authorized by Mosaic to provide any information or to make any representation other than as contained in this Prospectus in connection with the issue and sale of the Securities offered hereunder.**

**No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents hereof.**

Mosaic is an investment company based in western Canada that owns a portfolio of established businesses. Mosaic's head and registered office is located at 400, 2424 - 4<sup>th</sup> Street SW, Calgary, Alberta T2S 2T4.

## TABLE OF CONTENTS

|                                           |    |                                                          |     |
|-------------------------------------------|----|----------------------------------------------------------|-----|
| DOCUMENTS INCORPORATED BY REFERENCE.....  | 1  | TRADING PRICE AND VOLUME .....                           | 24  |
| MEANING OF CERTAIN REFERENCES .....       | 3  | HISTORY OF DIVIDENDS AND DISTRIBUTIONS.....              | 25  |
| FORWARD-LOOKING STATEMENTS .....          | 3  | USE OF PROCEEDS .....                                    | 25  |
| NON-IFRS FINANCIAL MEASURES .....         | 4  | EARNINGS COVERAGE RATIO.....                             | 25  |
| COMMONLY USED TERMS .....                 | 6  | CONSOLIDATED CAPITALIZATION OF MOSAIC .....              | 25  |
| CORPORATE STRUCTURE.....                  | 9  | CREDIT FACILITY .....                                    | 26  |
| MOSAIC'S BUSINESS .....                   | 11 | PLAN OF DISTRIBUTION.....                                | 27  |
| RECENT DEVELOPMENTS .....                 | 13 | CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS ..... | 28  |
| CAPITAL STRUCTURE .....                   | 15 | RISK FACTORS.....                                        | 28  |
| DESCRIPTION OF SECURITIES.....            | 15 | AUDITORS, TRANSFER AGENT, REGISTRAR AND TRUSTEE .....    | 30  |
| Description of Common Shares .....        | 15 | LEGAL MATTERS.....                                       | 30  |
| Description of Preferred Shares .....     | 16 | PURCHASER'S STATUTORY RIGHTS .....                       | 30  |
| Description of Warrants .....             | 16 | PURCHASER'S CONTRACTUAL RIGHTS.....                      | 31  |
| Description of Preferred Securities ..... | 17 | CERTIFICATE OF MOSAIC .....                              | C-1 |
| Description of Debt Securities .....      | 20 |                                                          |     |
| Description of Subscription Receipts..... | 21 |                                                          |     |
| Description of Units .....                | 22 |                                                          |     |
| PRIOR SALES .....                         | 22 |                                                          |     |

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in the provinces of Canada except Québec.** Copies of the documents incorporated herein by reference or a copy of the permanent information record may be obtained on request without charge from the Chief Financial Officer of Mosaic at, 400, 2424 - 4<sup>th</sup> Street SW, Calgary, Alberta T2S 2T4 or by accessing the disclosure documents available through the Internet on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at [www.sedar.com](http://www.sedar.com).

As at the date hereof, the following documents of Mosaic, filed with the securities commissions or similar authorities in each of the provinces of Canada except Québec, are specifically incorporated by reference into and form an integral part of this Prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated by reference in the Prospectus, as further described below:

- (a) the annual information form of Mosaic dated April 23, 2014 for the year ended December 31, 2013;
- (b) the information circular of Mosaic dated April 23, 2014 regarding the annual general and special meeting of shareholders of Mosaic held on June 17, 2014;
- (c) the audited consolidated financial statements of Mosaic for the years ended December 31, 2013 and December 31, 2012, together with the notes thereto and the independent auditor's report thereon;
- (d) the management's discussion and analysis of Mosaic for the year ended December 31, 2013;

- (e) the unaudited condensed interim consolidated financial statements of Mosaic for the six-month period ended June 30, 2014;
- (f) the management's discussion and analysis of Mosaic for the six-month period ended June 30, 2014;
- (g) the material change report of Mosaic dated May 27, 2014 with respect to Mosaic entering into an acquisition agreement to acquire a 70% interest in the business carried on by Streamline;
- (h) the material change report of Mosaic dated June 2, 2014 with respect to the closing of the Streamline acquisition, the entering into of the Credit Facility and Mosaic's draw-down on the Credit Facility to fund its acquisition of Streamline;
- (i) the material change report of Mosaic dated June 26, 2014 with respect to the June 2014 Offering; and
- (j) the material change report of Mosaic dated September 8, 2014 with respect to the acquisition by Mosaic of a 75% interest in the business carried on by Place-Crete Systems Inc. and Floor-Tech Systems Inc. (which was an affiliated entity of Place-Crete Systems Inc.)

**Any document of the type referred to in the preceding paragraph (excluding confidential material change reports), and all other documents of the type required by National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference in this Prospectus, filed by Mosaic with a securities commission or similar regulatory authority in Canada after the date of this Prospectus and prior to the termination of any offering of Securities hereunder shall be deemed to be incorporated by reference into this Prospectus.**

**Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be considered in its unmodified or superseded form to constitute part of this Prospectus; rather only such statement as so modified or superseded shall be considered to constitute part of this Prospectus.**

Upon a new annual information form and related annual audited consolidated financial statements and management's discussion and analysis being filed by Mosaic with, and where required, accepted by, the applicable securities regulatory authorities during the term of this Prospectus: (i) the previous annual information form, the previous annual audited consolidated financial statements and related management's discussion and analysis; (ii) all interim financial statements and related management's discussion and analysis, all material change reports and all business acquisition reports filed by Mosaic prior to the commencement of Mosaic's financial year in respect of which the new annual information form is filed; and (iii) any business acquisition report for acquisitions completed since the beginning of the financial year in respect of which the new annual information form is filed (unless such report is incorporated by reference into the current annual information form or less than nine months of the acquired business or related businesses operations are incorporated into Mosaic's current annual audited consolidated financial statements) shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

Upon new interim financial statements and related management's discussion and analysis being filed by Mosaic with the applicable securities regulatory authorities in Canada during the term of this Prospectus, all interim financial statements and related management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

Upon a new information circular relating to an annual general meeting of shareholders being filed by Mosaic with applicable securities regulatory authorities in Canada subsequent to the date of this Prospectus and prior to the date on which this Prospectus ceases to be effective, the information circular for the preceding annual general meeting of shareholders and any other information circular filed by Mosaic prior to the commencement of Mosaic's financial year in respect of which the new annual information form is filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of offers and sales of Securities under this Prospectus.

A Prospectus Supplement containing the specific terms of any Securities offered thereunder will be delivered to purchasers of such Securities together with this Prospectus to the extent required under applicable securities laws and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement solely for the purposes of the Securities offered thereunder.

In addition, certain marketing materials (as that term is defined in applicable Canadian securities legislation) may be used in connection with a distribution of Securities under this Prospectus and the applicable Prospectus Supplement(s). Any "template version" of "marketing materials" (as those terms are defined in applicable Canadian securities legislation) pertaining to a distribution of Securities, and filed by Mosaic after the date of the Prospectus Supplement for the distribution and before termination of the distribution of such Securities, will be deemed to be incorporated by reference in that Prospectus Supplement for the purposes of the distribution of Securities to which the Prospectus Supplement pertains.

**Mosaic has not provided or otherwise authorized any other person to provide investors with information other than as contained or incorporated by reference in this Prospectus. If an investor is provided with different or inconsistent information, he or she should not rely on it.**

#### MEANING OF CERTAIN REFERENCES

For simplicity, Mosaic uses terms in this Prospectus to refer to the investments and operations of Mosaic and its direct and indirect subsidiaries, as a whole. Accordingly, in this Prospectus, unless the context otherwise requires, "Mosaic" is referring to Mosaic Capital Corporation and its direct and indirect subsidiaries.

References to "management" in this Prospectus means the persons acting, from time to time, in the capacities of Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Vice Presidents of Mosaic. Any statements in this Prospectus made by or on behalf of management are made in such persons' capacities as officers of Mosaic and not in their personal capacities.

#### FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as "**forward-looking statements**") that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking statements. All information and statements in this Prospectus which are not statements of historical fact may be forward-looking statements. Such statements and information may be identified by looking for words such as "may", "believe", "could", "expect", "will", "intend", "should", "plan", "objective", "predict", "potential", "project", "anticipate", "estimate", "continuous" or similar words or the negative thereof or other comparable terminology, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements included in this Prospectus include, but are not limited to, statements with respect to: the intention and ability of Mosaic to make cash distributions on the Preferred Securities; the intention and ability of Mosaic to pay dividends on the Common Shares; the outlook of Mosaic's and its subsidiaries' businesses; the competitive environment in which Mosaic and its business units operate; the business strategy and objectives of Mosaic; development plans, as well as acquisition and disposition plans, of Mosaic; the supply and demand for products and services; Mosaic's ability to meet its current and future obligations; Mosaic's ability to execute its growth strategy; management's assessment of future plans and operations; acquisition opportunities arising from time to time that fit Mosaic's acquisition criteria; the terms of the Securities and any offering made under this Prospectus; the filing of and matters to be set out in one or more Prospectus Supplements; and the expected use of the proceeds from the sale of Securities under this Prospectus.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect, including those assumptions listed below and those discussed elsewhere in this Prospectus. Some of the assumptions made by Mosaic, upon which such forward-looking statements are based, include: the business operations of the operating businesses of Mosaic continuing on a basis consistent with prior years; the ability of Mosaic to access financing from time to time on favourable terms; the ability of Mosaic to realize anticipated benefits of acquisitions; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; the ability of Mosaic to maintain reasonably stable operating and general administrative expenses; the stability of current economic conditions and the strength and persistence of the economic recovery in Canada; and currency, exchange and interest rates and commodity prices being reasonably stable at current rates.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this Prospectus. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to: general economic and political conditions; competition for acquisition candidates; the failure to identify, acquire and develop suitable acquisition opportunities, unknown liabilities within acquired businesses; insufficient cash flows from subsidiaries; the loss of key personnel; lack of diversification; changes in laws or regulations or the interpretation thereof; regulatory risk; the inability to generate sufficient cash flow from operations to meet current and future obligations; the inability to obtain required debt and/or equity capital on acceptable terms or at all; legal proceedings against Mosaic; potential conflicts of interest of directors and officers; changes in tax law or other adverse tax consequences; diversion of management to manage issues in Mosaic's operating subsidiaries; shift of management's focus to integration, administration or unforeseen business or operating issues, declining employee morale and employee retention issues; integration of subsidiary administrative systems; lack of sufficient business and financial controls or other procedures or policies within acquired entities; fluctuations in operating performance and seasonality; fluctuations in commodity prices; illiquidity of investments; the speculative nature of Mosaic's investments due to the small size of the acquired businesses; lack of diversity of customer base; adverse weather conditions; uninsured and underinsured losses; competition in industries in which Mosaic's subsidiaries operate; contractual risks, including indemnity obligations; failure to retain significant customers; damage to brand reputation; failure to attract qualified employees or interruption of the labour supply; competition for, among other things, capital, equipment, materials and personnel; risks inherent in Mosaic's ownership of real property; inability of tenants to fulfill lease obligations; difficulty in renewing leases as they expire or leasing vacant space; fixed costs of ownership of real property; illiquidity of investments in real property; weakness in commercial property market in target markets; and difficulty in enforcing rights upon default by tenants; and environmental liabilities. See "*Risk Factors*".

Although the forward-looking statements contained in this Prospectus are based upon what Mosaic's management believes to be reasonable assumptions, Mosaic cannot assure investors that actual results will be consistent with such information. Forward-looking statements reflect management's current beliefs and are based on information currently available to Mosaic. Readers of this Prospectus are cautioned not to place undue reliance on Mosaic's forward-looking statements because a number of factors, such as those referred to in the paragraph above, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements contained in this Prospectus. The forward-looking statements are made as of the date of this Prospectus and Mosaic assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

#### **NON-IFRS FINANCIAL MEASURES**

Mosaic has historically used various metrics when evaluating its operational and financial performance. Mosaic continually monitors, evaluates and updates these metrics as required to ensure they provide the information considered most useful, in the opinion of Mosaic's management, to any decision making based on Mosaic's performance.

This section defines, quantifies and analyzes certain of the key performance measures used by management of Mosaic that are not recognized under IFRS and have no standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

- **Adjusted EBITDA:** is defined as income from continuing operations before tax and before: (i) gain (loss) on sale of equipment; (ii) non-cash expenses such as amortization; (iii) finance income and expenses; (iv) securities-based compensation expense; and (v) any unusual non-operating one-time items such as acquisition and reorganization costs. Adjusted EBITDA is used by management to assess Mosaic's normalized cash generated on a consolidated basis and in its operating segments. Adjusted EBITDA is also a performance measure which may be utilized by investors to analyze the cash generated by Mosaic and its operating segments.
- **Free Cash Flow:** is defined as Adjusted EBITDA less: (i) non-controlling interest of Adjusted EBITDA; (ii) Mosaic's share of current income tax expense; and (iii) Mosaic's share of the Sustaining Capital Expenditures. Free Cash Flow is a performance measure used by management to summarize the funds available for: (A) the payment of distributions to holders of Preferred Securities, Series A Shares and Common Shares; (B) investment in capital expenditures made to grow the enterprise; and (C) new acquisitions and working capital. Free Cash Flow is also a performance measure which may be utilized by investors to analyze the free cash available for Preferred Security distributions, Common Share dividends, acquisitions and additional investment into existing businesses.
- **Sustaining Capital Expenditures:** is defined as capital expenditures required to sustain the operations of Mosaic at its current level of operations and is calculated by subtracting those capital expenditures which are, as determined in the discretion of management, made to grow the enterprise and expected to generate additional Adjusted EBITDA from total capital expenditures for the period. An example of Sustaining Capital Expenditures would be the replacement of vehicles that have completed their useful life. Mosaic's share of Sustaining Capital Expenditures for the six-month period ended June 30, 2014 and the twelve-month period ended December 31, 2013 was approximately \$211,000 and \$947,000, respectively.

Readers are cautioned that Adjusted EBITDA, Free Cash Flow and Sustaining Capital Expenditures should not be viewed as an alternative to measures that are recognized under IFRS such as net income or cash from operating activities. The distributions and dividends paid by Mosaic to its securityholders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities. Mosaic's method of calculating Adjusted EBITDA, Free Cash Flow and Sustaining Capital Expenditures may differ from that of other issuers and therefore may not be comparable to measures utilized by them.

**A description of the non-IFRS financial measures used by Mosaic and reconciliations of such non-IFRS financial measures are set forth on pages 1, 3 and 4 in the management's discussion and analysis of Mosaic for the six-month period ended June 30, 2014, which is incorporated by reference herein, under the headings "*Non-IFRS Financial Measures*" and "*Reconciliations of Non-IFRS Financial Measures*".**

## COMMONLY USED TERMS

In this Prospectus the following words and phrases have the following meanings unless the context otherwise requires:

"**ABCA**" means the *Business Corporations Act* (Alberta) and the regulations thereto, as amended;

"**Adjusted EBITDA**" has the meaning ascribed to it under "*Non-IFRS Financial Measures*";

"**affiliate**" has the meaning provided for in the ABCA, read as if the word "body corporate" includes a trust, partnership, limited liability company or other form of business organization;

"**AIF**" means the annual information form of Mosaic dated April 23, 2014 for the year ended December 31, 2013, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

"**Allied Cathodic**" means Allied Cathodic Services L.P., a limited partnership formed under the laws of the Province of Saskatchewan pursuant to the terms of a limited partnership agreement dated September 1, 2007, as amended or restated from time to time;

"**Ambassador**" means Ambassador Mechanical Corp., a corporation formed under the laws of the Province of Manitoba on October 21, 2011;

"**Arrangement**" means the arrangement, effective May 1, 2011, involving Mosaic, the Fund, First West and their respective securityholders under Section 193 of the ABCA on the terms and subject to the conditions set out in the plan of arrangement involving Mosaic, the Fund and First West;

"**Business Day**" has the meaning ascribed to it in the Preferred Securities Indenture;

"**Common Share Purchase Warrants**" means the common share purchase warrants issued pursuant to the Warrant Indenture;

"**Common Shares**" means common shares in the capital of Mosaic;

"**Credit Agreement**" has the meaning ascribed to it under "*Credit Facility*", a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

"**Credit Facility**" has the meaning ascribed to it under "*Credit Facility*";

"**Debt Securities**" has the meaning ascribed to it on the cover page to this Prospectus;

"**Exchange**" means the TSX Venture Exchange;

"**First West**" has the meaning ascribed to it under "*Corporate Structure*";

"**forward-looking statements**" has the meaning ascribed to it under "*Forward-Looking Statements*";

"**Free Cash Flow**" has the meaning ascribed to it under "*Non-IFRS Financial Measures*";

"**Fund**" means Mosaic Diversified Income Fund, a trust created under the laws of the Province of Alberta and governed by the Fund Indenture;

"**Fund Indenture**" means the Fund's amended and restated trust indenture dated November 1, 2010, as amended;

"**FWDLP**" means First West Developments L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated August 28, 2012, as amended or restated from time to time;

"**FWLDLP**" means First West Land Developments L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated March 12, 2014, as amended or restated from time to time;

**"FWPLP"** means First West Properties L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated November 27, 2012, as amended or restated from time to time;

**"IFRS"** means the International Financial Reporting Standards as issued by the International Accounting Standards Board;

**"Industrial Scaffold"** means Industrial Scaffold Services L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated July 30, 2013, as amended or restated from time to time;

**"Interest Period"** has the meaning ascribed to it under *"Description of Securities – Description of Preferred Securities"*;

**"June 2014 Offering"** means Mosaic's short form prospectus offering of 2,524,240 units, comprised of 2,524,240 Preferred Securities and 631,060 Common Share Purchase Warrants, at a price of \$11.40 per unit that closed on June 20, 2014;

**"Kendall's"** means Kendall's Supply Ltd., a corporation formed under the laws of the Province of Saskatchewan on October 17, 1990;

**"MLP"** means Mosaic Limited Partnership, a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated February 21, 2006, as amended or restated from time to time;

**"Offering"** means the offering of the Securities issued and sold by Mosaic pursuant to this Prospectus;

**"Payment Default"** has the meaning ascribed to it under *"Description of Securities – Description of Preferred Securities"*;

**"Place-Crete"** means Place-Crete Systems L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated August 21, 2014, as amended or restated from time to time;

**"Polar Geomatic"** means Polar Geomatic Solutions L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated December 30, 2009, as amended or restated from time to time;

**"Preferred Securities Indenture"** means the indenture dated April 29, 2011 entered into between Mosaic and the Preferred Securities Trustee, as amended, supplemented or restated from time to time, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

**"Preferred Securities Trustee"** means Olympia Trust Company or its successor as trustee under the Preferred Securities Indenture;

**"Preferred Security"** means a preferred security as described under *"Description of Securities – Description of Preferred Securities"* and issued pursuant to the Preferred Securities Indenture;

**"Preferred Shares"** has the meaning ascribed to it on the cover page to this Prospectus;

**"Printing Unlimited"** means Printing Unlimited L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated January 10, 2007, as amended or restated from time to time;

**"Prospectus"** means this short form base shelf prospectus, including any amendments hereto;

**"Prospectus Supplement"** has the meaning ascribed to it on the inside cover page to this Prospectus;

**"Redemption Price"** has the meaning ascribed to it under *"Description of Securities – Description of Preferred Securities"*;

**"Remote Waste"** means Remote Waste L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated August 21, 2008, as amended or restated from time to time;

**"RSUs"** has the meaning ascribed to it under *"Prior Sales"*;

**"Securities"** has the meaning ascribed to it on the inside cover page to this Prospectus;

**"Securities-Based Compensation Plan"** means the Mosaic amended and restated securities-based compensation plan, most recently amended and restated effective April 23, 2014 and ratified by Mosaic's shareholders on June 17, 2014;

**"Series A Shares"** means the series A preferred shares in the capital of Mosaic, each of which is redeemable at the holder's option for one Preferred Security;

**"Streamline"** means, collectively, Streamline Mechanical and Streamline Projects;

**"Streamline Master"** means Streamline Master L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time;

**"Streamline Mechanical"** means Streamline Mechanical L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time;

**"Streamline Projects"** means Streamline Projects L.P., a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time;

**"Subscription Receipts"** has the meaning ascribed to it on the cover page to this Prospectus;

**"subsidiary"** has the meaning provided for in the ABCA, read as if the word "body corporate" includes a trust, partnership, limited liability company or other form of business organization;

**"Sustaining Capital Expenditures"** has the meaning ascribed to it under *"Non-IFRS Financial Measures"*;

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

**"Units"** has the meaning ascribed to it on the inside cover page to this Prospectus;

**"U.S."** means the United States of America;

**"U.S. Securities Act"** means the United States *Securities Act of 1933*, as amended;

**"Warrant Agent"** means Olympia Trust Company or its successor as trustee under the Warrant Indenture;

**"Warrant Indenture"** means the indenture providing for the issue of the Common Share Purchase Warrants dated June 20, 2014 and entered into between Mosaic and the Warrant Agent, as amended, supplemented or restated from time to time, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com);

**"Warrant Shares"** means the Common Shares issuable upon exercise of the Common Share Purchase Warrants;

**"Warrants"** has the meaning ascribed to it on the cover page to this Prospectus; and

**"working capital"** means at any time, the excess of current assets over current liabilities, calculated in accordance with IFRS.

## CORPORATE STRUCTURE

Mosaic was incorporated under the ABCA on February 11, 2011 and is the resulting entity from the combination of the businesses of the Fund and First West pursuant to the Arrangement which was effective May 1, 2011. Mosaic has three types of securities listed on the Exchange: Common Shares, Preferred Securities and Common Share Purchase Warrants under the symbols "M", "M.PR.A" and "M.WT", respectively.

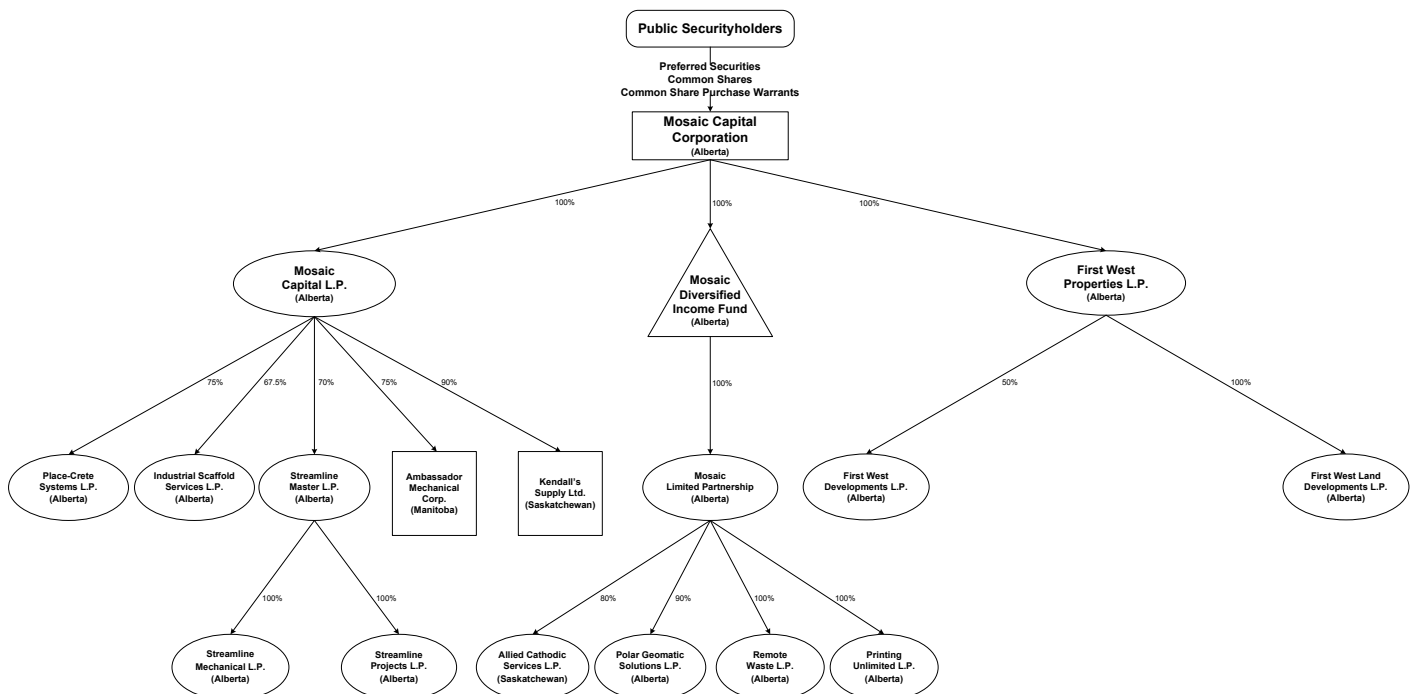
The registered and head office of Mosaic is located at 400, 2424 - 4<sup>th</sup> Street SW, Calgary, Alberta T2S 2T4.

In April 2011, at the special meetings of the Fund and First West, the securityholders of the Fund and First West adopted special resolutions approving the combination of the Fund and First West pursuant to a court approved plan of arrangement. Court approval for the Arrangement was obtained on April 28, 2011 and the Arrangement was completed on May 1, 2011. Upon completion of the Arrangement, the Fund and First West became wholly-owned subsidiaries of Mosaic. Following the completion of the Arrangement, the former securityholders of the Fund and First West became the securityholders of Mosaic.

During the last half of 2012, the business being carried on by First West Properties Ltd. was reorganized and is now being carried on by First West Properties L.P. ("FWPLP") and its subsidiaries First West Developments L.P. ("FWDLP") and First West Land Developments L.P. ("FWLDLP"). On December 31, 2012, First West Properties Ltd. was voluntarily dissolved. On March 12, 2014, FWLDLP was formed as a subsidiary of FWPLP. For purposes of this Prospectus, references to "**First West**" means and refers to First West Properties Ltd., for any period prior to completion of the aforementioned internal reorganization, and means and refers to FWPLP, FWDLP and FWLDLP, collectively, for any period subsequent to completion of the internal reorganization.

Since the completion of the Arrangement, Mosaic has added the businesses of Ambassador, Kendall's, Industrial Scaffold, Streamline and Place-Crete to its portfolio. See "*Mosaic's Business – Mosaic's Reportable Operating Segments and Businesses*".

The following diagram illustrates the current organizational structure of Mosaic:



### ***Mosaic Diversified Income Fund***

The Fund is an unincorporated open-ended investment trust governed by the Fund Indenture and the laws of the Province of Alberta. The Fund indirectly holds all of the units of MLP which in turn holds Mosaic's interest in Allied Cathodic, Polar Geomatic, Remote Waste and Printing Unlimited. The Fund is based in Calgary, Alberta. Mosaic directly owns 100% of the outstanding units of the Fund.

### ***Mosaic Limited Partnership***

MLP is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated February 21, 2006, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 100% of the outstanding limited partnership units of MLP and controls the general partner thereof. The primary activity of MLP is the holding of the securities of each of Allied Cathodic, Polar Geomatic, Remote Waste and Printing Unlimited. MLP is based in Calgary, Alberta.

### ***Allied Cathodic Services L.P.***

Allied Cathodic is a limited partnership formed under the laws of the Province of Saskatchewan pursuant to the terms of a limited partnership agreement dated September 1, 2007, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 80% of the outstanding limited partnership units of Allied Cathodic and controls the general partner thereof. Allied Cathodic is based in Estevan, Saskatchewan.

### ***Polar Geomatic Solutions L.P.***

Polar Geomatic is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated December 30, 2009, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 90% of the outstanding limited partnership units of Polar Geomatic and controls the general partner thereof. Polar Geomatic is based in Red Deer, Alberta.

### ***Remote Waste L.P.***

Remote Waste is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated August 21, 2008, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 100% of the outstanding limited partnership units of Remote Waste and controls the general partner thereof. Remote Waste is based in Sexsmith, Alberta.

### ***Printing Unlimited L.P.***

Printing Unlimited is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated January 10, 2007, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 100% of the outstanding limited partnership units of Printing Unlimited and controls the general partner thereof. Printing Unlimited is based in Fort McMurray, Alberta.

### ***Mosaic Capital L.P.***

Mosaic Capital L.P. is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated December 13, 2011, as amended or restated from time to time. Mosaic directly or indirectly owns 100% of the outstanding limited partnership units of Mosaic Capital L.P. and controls the general partner thereof. The primary activity of Mosaic Capital L.P. is the holding of securities of each of Industrial Scaffold, Streamline, Ambassador, Kendall's and Place-Crete. Mosaic Capital L.P. is based in Calgary, Alberta.

### ***Place-Crete Systems L.P.***

Place-Crete is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated August 21, 2014, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 75% of the outstanding limited partnership units of Place-Crete and controls the general partner thereof. Place-Crete is based in St. Albert, Alberta, and has additional offices in Calgary, Alberta and Abbotsford, British Columbia. See "*Recent Developments – Place-Crete*".

***Industrial Scaffold Services L.P.***

Industrial Scaffold is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated July 30, 2013, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 67.5% of the outstanding limited partnership units of Industrial Scaffold and controls the general partner thereof. Industrial Scaffold is based in Crofton, British Columbia.

***Streamline Master L.P., Streamline Mechanical L.P. and Streamline Projects L.P.***

Streamline Master is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 70% of the outstanding limited partnership units of Streamline Master and controls the general partner thereof. The primary activity of Streamline Master is the holding of securities of each of Streamline Mechanical and Streamline Projects. Streamline Master is based in Calgary, Alberta. See "*Recent Developments – Streamline*".

Streamline Mechanical is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time. Streamline Master owns all of the outstanding limited partnership units of Streamline Mechanical and the general partner thereof is controlled by Mosaic.

Streamline Projects is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated May 13, 2014, as amended or restated from time to time. Streamline Master owns all of the outstanding limited partnership units of Streamline Projects and the general partner thereof is controlled by Mosaic.

Streamline Mechanical and Streamline Projects are based in Sherwood Park, Alberta and have an additional office in Fort McMurray, Alberta.

***Ambassador Mechanical Corp.***

Ambassador is a corporation formed under the laws of the Province of Manitoba on October 21, 2011. Mosaic, through one or more subsidiaries, indirectly owns 75% of the outstanding common shares of Ambassador. Ambassador is based in Winnipeg, Manitoba.

***Kendall's Supply Ltd.***

Kendall's is a corporation formed under the laws of the Province of Saskatchewan on October 17, 1990. Mosaic, through one or more subsidiaries, indirectly owns 90% of the outstanding common shares of Kendall's. Kendall's is based in Estevan, Saskatchewan.

***First West Properties L.P., First West Developments L.P. and First West Land Developments L.P.***

FWPLP is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated November 27, 2012, as amended or restated from time to time. The subsidiaries of FWPLP are FWDLP and FWLDLP. Mosaic directly or indirectly owns 100% of the outstanding limited partnership units of FWPLP and FWLDLP and controls the general partner of each. Mosaic indirectly owns 50% of the outstanding limited partnership units and common shares of FWDLP and its general partner, respectively. FWPLP, FWDLP and FWLDLP are each based in Calgary, Alberta. See "*Recent Developments – Parker Industrial Park*".

**MOSAIC'S BUSINESS**

**General**

Mosaic is an investment company based in western Canada that owns a portfolio of established businesses that have a history of generating cash flow from their operations. Mosaic invests for the purpose of exercising, or seeking to exercise, control of a business or asset. Mosaic manages its acquisition risk through extensive due

diligence, transaction structuring and working closely with its businesses after acquisition. Once acquired, Mosaic works with its businesses to grow Free Cash Flow and retained earnings.

Mosaic is focused on positioning its business for improved growth and performance with a view to creating long term value for its shareholders and business partners by pursuing accretive acquisitions, engaging in opportunistic dispositions, and fostering organic growth in existing businesses in a manner that will grow both Free Cash Flow per share and retained earnings. More specifically, this has been, and will be, achieved by: (i) acquiring businesses with capable existing management teams; (ii) providing support and advice to the management teams of Mosaic's operating subsidiaries to build on their core competencies and track records to help improve profitability and foster growth; (iii) looking for, and encouraging the management teams of Mosaic's operating subsidiaries to continue to look for, opportunities to enter new markets, expand the products or services offered, vertically integrate and/or geographically expand; and (iv) selling assets, if and when appropriate.

Mosaic's management team has an extensive breadth and depth of experience gained through many years of involvement in numerous aspects of business, including fund management, public and private merger and acquisition transactions, corporate restructurings, financings, venture capital and private equity investing, and corporate turn-arounds. While Mosaic's management possesses a high degree of specialized skill and knowledge required in connection with managing Mosaic, the assessment of Mosaic is that such skill and knowledge is generally available in the marketplace and, accordingly, the loss of any one of the management team would not have a material impact on the business.

#### **Acquisition Strategy and Investment Criteria**

Mosaic has a strong pipeline of business acquisition candidates at any given time.

**A description of Mosaic's acquisition strategy and investment criteria is set forth on pages 5-6 in the AIF, which is incorporated by reference herein, under the heading "*Our Business*".**

#### **Mosaic's Reportable Operating Segments and Businesses**

Presently, Mosaic has two reportable operating segments: (i) industrial; and (ii) real estate. On a combined basis within those two operating segments, Mosaic indirectly owns all of, or a material controlling interest in, ten businesses.

##### ***Industrial***

Mosaic holds a portfolio of businesses within its industrial segment, each of which has a history of generating cash flow from their operations.

- **Allied Cathodic** (80% ownership) is based in Estevan, Saskatchewan and installs, maintains and replaces cathodic protection systems for oil and gas production facilities in southeast Saskatchewan and southwest Manitoba.
- **Polar Geomatic** (90% ownership) is based in Red Deer, Alberta and principally provides products and services to create, manage and maintain land related stakeholder information. This information is used primarily by pipeline companies to simplify compliance with stakeholder notification and emergency response planning requirements under applicable legislation.
- **Remote Waste** (100% ownership) is based in Sexsmith, Alberta and manufactures and rents wastewater treatment systems used for remote work camps.
- **Printing Unlimited** (100% ownership) is based in Fort McMurray, Alberta and prints, among other things, marketing and promotional materials, annual reports, operation manuals and handbooks, safety tags, signs, stationary, carbonless forms and photocopies.
- **Place-Crete** (75% ownership) is based in St. Albert, Alberta and has additional offices in Calgary, Alberta and Abbotsford, British Columbia. Place-Crete supplies, applies and finishes a variety of cement based

toppings in the residential and commercial construction markets and provides waterproofing solutions to the civil infrastructure market, predominantly within western Canada.

- **Industrial Scaffold** (67.5% ownership) is based in Crofton, British Columbia, and has offices across western Canada. Industrial Scaffold is a provider of worksite surface and access scaffolding solutions and environmental containment systems to industrial and commercial customers in the pulp and paper, mining and marine and energy and utilities sectors in western Canada.
- **Streamline** (70% ownership) is based in Sherwood Park, Alberta and has an additional office in Fort McMurray, Alberta. Streamline is a provider of site maintenance services and civil construction services to Alberta's energy sector, working primarily on oil sands projects of Canadian and international energy companies.
- **Ambassador** (75% ownership) is based in Winnipeg, Manitoba and provides mechanical equipment provisioning and installation services in areas ranging from plumbing and gas fitting to heating, ventilation and air conditioning.
- **Kendall's** (90% ownership) is based in Estevan, Saskatchewan, and is a supplier of parts and supplies to companies in the automotive, oil and gas, mining, power generation, construction and agriculture industries in southeast Saskatchewan.

**Other than with respect to Streamline and Place-Crete, a summary description of each of the industrial operating businesses is set forth on pages 7-11 in the AIF, which is incorporated by reference herein, under the heading "Our Business". Summary descriptions of Streamline and Place-Crete are set forth below under "Recent Developments".**

#### ***Real Estate***

Based in Calgary, Alberta, FWPLP is wholly-owned by Mosaic and holds a portfolio of real estate assets in secondary markets in western Canada. FWPLP identifies and acquires, directly or indirectly, real estate with the prospects for stable cash flow and short and medium term price appreciation potential. FWPLP adds value to the properties it acquires through, among other things, leasing vacant space, re-leasing upon renewal at market rates, making capital improvements and moving land through the land use planning process.

FWDLDP is indirectly wholly-owned by Mosaic and holds real estate assets for development in Estevan, Saskatchewan. FWDLDP holds real estate assets (known as the Parker Industrial Park) for development near Regina, Saskatchewan. After concluding a financing arrangement in August, 2014 in respect of the project, Mosaic indirectly owns 50% of the outstanding limited partnership units and common shares of FWDLDP and its general partner, respectively. See "*Recent Developments – Parker Industrial Park*".

**A summary description of the real estate operating businesses is set forth on page 11 in the AIF, which is incorporated by reference herein, under the heading "Our Business".**

### **RECENT DEVELOPMENTS**

#### **Streamline**

Effective June 1, 2014, Mosaic completed its acquisition of a 70% interest in the Streamline business. Established in 1974, Streamline has been in business for nearly 40 years and presently has offices in Sherwood Park, Alberta and Fort McMurray, Alberta. Streamline is a provider of site maintenance services and civil construction services to Alberta's energy sector, working primarily on oil sands projects of Canadian and international energy companies. Streamline is currently engaged in connection with, among others, the Suncor Fort Hills Project and the Syncrude Mildred Lake Mine project. Streamline's main services are energy infrastructure civil construction, including excavation; drainage; construction of roadways and pads; maintenance of roadways (including snow removal and dust control); general site services; mechanical installation services; construction and maintenance of temporary facilities; underground sewer, water, gas and communications infrastructure installation services;

manufacturing and installation of potable water and sewage systems; materials management; clearing and grubbing; and vacuum truck services.

As of June 1, 2014, Streamline employed approximately 240 people. Sales in the business are generated through existing relationships, competitive bidding on projects and from face to face sales calls. Although there are a number of competitors to the services provided by Streamline, the assessment of Mosaic is that Streamline is one of the leaders in this niche market.

The loss of a senior manager of Streamline could impair the ability of the business to operate at its optimum level of performance for a period of time as it is expected that it would be difficult, time-consuming and potentially costly to find a suitable replacement. The assessment of Mosaic is that the skill and knowledge pertaining to the balance of the labour force at Streamline is generally available in the marketplace. However, due to the current strength and competitiveness of the labour market, replacement of qualified personnel may not occur as timely as is optimal for the business. These labour force factors could have an impact on the performance of the business, the effect of which could be material.

In general, for day-to-day operations, the materials and component parts necessary for Streamline to carry on its business are readily available from multiple sources in multiple locations which also assist in keeping such materials and components competitively priced in the marketplace. As a result of these factors, Mosaic does not assess there to be any foreseeable material risk to the supply and/or pricing of components or materials which could materially impact or impede the business.

#### **June 2014 Offering**

On June 20, 2014, Mosaic completed its offering of 2,524,240 units, at a price of \$11.40 per unit, for total gross proceeds of \$28,776,336. Included in the closing were 329,240 units (\$3,753,336) from the exercise of the over-allotment option described in Mosaic's prospectus dated June 13, 2014, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Each unit was comprised of one Preferred Security in the capital of Mosaic and one-quarter (0.25) of one Common Share Purchase Warrant. Each full Common Share Purchase Warrant entitles the holder to purchase one Common Share in the capital of Mosaic at an exercise price of \$15.50 for 18 months following completion of the June 2014 Offering. At any time the 20-day volume weighted average price of a Common Share listed on the Exchange is equal to or above \$18.00, the expiry date of the Common Share Purchase Warrants may, at the election of Mosaic, be accelerated to a date that is 30 days after an acceleration notice is provided by Mosaic to holders of Common Share Purchase Warrants, all as more particularly described in the Warrant Indenture between Mosaic and Olympia Trust Company dated June 20, 2014, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Parker Industrial Park**

In August, 2014 Mosaic's subsidiaries FWPLP and FWDLP signed a partnership agreement with Harbour Equity Capital Corp. for the development of the Parker Industrial Park near Regina, Saskatchewan. Under this financing arrangement, Harbour Equity Capital Corp. contributed \$6 million dollars for a 50% interest in the development project and Mosaic, through FWPLP, retained the remaining 50% interest. The Parker Industrial Park is located on 157.97 acres of raw land in the rural municipality of Sherwood No 159. It is located approximately one mile north of the Regina city limits. The intent is to develop the land into a full service industrial park. FWDLP has entered into contracts for the sale of 24.09 acres (17%) of the 139.37 acres for development. Such contracts are indicative only as to the saleability of the project, as there can be no assurance that FWDLP will be successful in selling the remaining acreage or profitably developing the land into a full service industrial park.

#### **Place-Crete**

Effective September 1, 2014, Mosaic completed an acquisition of a 75% interest in the businesses previously carried on by Place-Crete Systems Inc. and Floor-Tech Systems Inc. (which was an affiliated entity of Place-Crete Systems Inc.). Established in 1984, Place-Crete Systems Inc., now operating as Place-Crete, has been in business for nearly 30 years and presently has offices in St. Albert, Alberta, Calgary, Alberta and Abbotsford, British Columbia. The primary business activities of Place-Crete consist of supplying, applying and finishing a variety of cement based

toppings in the residential and commercial construction markets as well as providing waterproofing solutions to the civil infrastructure market, predominantly within western Canada. Products include gypsum floor underlayments and toppings which are mainly used in residential and commercial construction markets as well as various types of waterproofing membranes which are applied to bridges, bridge approaches, plaza decks and parkades in both the new and restoration construction markets.

Mosaic's cost of the acquisition was approximately \$18.0 million and was funded through a combination of cash and \$4.0 million of vendor take back financing termed over three years.

As of September 1, 2014, Place-Crete employed approximately 86 people. Sales in the business are generated through existing relationships, competitive bidding on projects and from face to face sales calls. Although there are competitors to the services provided by Place-Crete, the assessment of Mosaic is that Place-Crete is among the leaders in its niche market within western Canada. The loss of a senior manager at Place-Crete could impair the ability of the business to operate at its optimum level of performance for a period of time as it is expected that it would be difficult, time-consuming and potentially costly to find a suitable replacement. The assessment of Mosaic is that the skill and knowledge pertaining to the balance of the labour force at Place-Crete is generally available in the marketplace. However, due to the current strength and competitiveness of the labour market, replacement of qualified personnel may not occur as timely as is optimal for the business. These labour force factors could have an impact on the performance of the business, the effect of which could be material.

In general, for day-to-day operations, the materials necessary for Place-Crete to carry on its business are readily available from multiple sources which assists in keeping such materials competitively priced in the marketplace. As a result, Mosaic does not assess there to be any foreseeable material risk to the supply and/or pricing of materials which could materially impact or impede the business.

#### **CAPITAL STRUCTURE**

The authorized capital of Mosaic consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. Under the Preferred Securities Indenture, Mosaic also has the ability to issue an unlimited number of Preferred Securities. Under the Warrant Indenture, Mosaic issued 631,060 Common Share Purchase Warrants and may issue further warrants under one or more supplemental indentures. As of September 17, 2014, Mosaic had: (i) 8,170,575 Common Shares issued and outstanding; (ii) 41,580 Series A Shares issued and outstanding; (iii) 9,965,812 Preferred Securities issued and outstanding; and (iv) 631,060 Common Share Purchase Warrants each of which entitles the holder thereof to acquire, subject to adjustment, one Warrant Share at an exercise price of \$15.50 on or before 5:00 p.m. (Calgary time) on December 21, 2015.

Mosaic also has outstanding options to purchase Common Shares and options to purchase Series A Shares, as well as RSUs entitling the holders to acquire Common Shares and Preferred Securities, as the case may be. For particulars see "*Prior Sales*".

#### **DESCRIPTION OF SECURITIES**

The following is a brief summary of certain general terms and provisions of the Securities as at the date of this Prospectus. The summary does not purport to be complete and is indicative only. The specific terms of any Securities to be offered under this Prospectus, and the extent to which the general terms described in this Prospectus apply to such Securities, will be set forth in the applicable Prospectus Supplement. Moreover, a Prospectus Supplement relating to a particular offering of Securities may include terms pertaining to the Securities being offered thereunder that are not within the terms and parameters described in this Prospectus.

##### **Description of Common Shares**

The following is a brief summary of the material attributes of the Common Shares. This summary does not purport to be complete. For full particulars and additional details on the Common Shares, reference should be made to Mosaic's articles, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The holders of Common Shares are entitled to one vote per share at all meetings of shareholders except separate meetings of the holders of another class or series of shares of Mosaic. Subject to the preferences accorded to

holders of the Preferred Shares and any other class of shares of Mosaic ranking senior to or concurrent with the Common Shares, the Common Shares are entitled to dividends, if and when declared by the Mosaic board of directors, and to the distribution of the residual assets of Mosaic in the event of the liquidation, dissolution or winding-up of Mosaic.

### **Description of Preferred Shares**

The following is a brief summary of certain general terms and provisions of the Preferred Shares. This summary does not purport to be complete. For full particulars and additional details on the Preferred Shares (including the Series A Shares), reference should be made to Mosaic's articles and its AIF, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The particular terms and provisions of a series of Preferred Shares as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Preferred Shares, and the extent to which the general terms and provisions described below may apply to those Preferred Shares will be described in the applicable Prospectus Supplement.

The Preferred Shares are issuable in series. The Preferred Shares of each series rank in parity with the Preferred Shares of every other series with respect to dividends and return of capital and are entitled to a preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Mosaic.

The Mosaic board of directors is empowered to fix the number of shares and the rights to be attached to the Preferred Shares of each series, including the amount of dividends and any conversion, voting and redemption rights. Subject to the articles of incorporation for Mosaic and to applicable law, the Preferred Shares as a class are not entitled to receive notice of or attend or vote at meetings of Mosaic shareholders.

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Preferred Shares being offered thereby, which may include, without limitation, the following (where applicable):

- the maximum number of Preferred Shares;
- the designation of the series;
- the offering price;
- the annual dividend rate and whether the dividend rate is fixed or variable, the date from which dividends will accrue, and the dividend payment dates;
- the price and the terms and conditions for redemption, if any, including whether redeemable at Mosaic's option or at the option of the holder, the time period for redemption, and payment of any accumulated dividends;
- the terms and conditions, if any, for conversion or exchange for shares of any other class of Mosaic or any other series of Preferred Shares, or any other securities or assets, including the price or the rate of conversion or exchange and the method, if any, of adjustment;
- whether such Preferred Shares will be listed on any securities exchange;
- the voting rights, if any;
- any other rights, privileges, restrictions, or conditions;
- certain material Canadian tax consequences of owning the Preferred Shares; and
- any other material terms and conditions of the Preferred Shares.

### **Description of Warrants**

The following is a brief summary of certain general terms and provisions of the Warrants that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Warrants as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Warrants, and the extent to which the general terms and provisions described below may apply to such Warrants will be described in the applicable Prospectus Supplement.

Warrants may be offered separately or together with other Securities, as the case may be. Each series of Warrants may be issued under a separate warrant indenture or warrant agency agreement to be entered into between Mosaic and one or more banks or trust companies acting as Warrant agent or may be issued as stand-alone contracts. The applicable Prospectus Supplement will include details of the Warrant agreements, if any, governing the Warrants being offered. The Warrant agent, if any, will be expected to act solely as the agent of Mosaic and will not assume a relationship of agency with any holders of Warrant certificates or beneficial owners of Warrants. The following sets forth certain general terms and provisions of the Warrants offered under this Prospectus. The specific terms of the Warrants, and the extent to which the general terms described in this section apply to those Warrants, will be set forth in the applicable Prospectus Supplement.

A copy of any warrant indenture or any warrant agency agreement relating to an offering of Warrants will be filed by Mosaic with the relevant securities regulatory authorities in Canada after it has been entered into by Mosaic.

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Warrants being offered thereby, which may include, without limitation, the following (where applicable):

- the designation of the Warrants;
- the aggregate number of Warrants offered and the offering price;
- the designation, number and terms of the other Securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- the exercise price of the Warrants;
- the dates or periods during which the Warrants are exercisable;
- the designation and terms of any securities with which the Warrants are issued;
- if the Warrants are issued as a unit with another Security, the date on and after which the Warrants and the other Security will be separately transferable;
- any minimum or maximum amount of Warrants that may be exercised at any one time;
- whether such Warrants will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants;
- certain material Canadian tax consequences of owning the Warrants; and
- any other material terms and conditions of the Warrants.

### **Description of Preferred Securities**

The following is a brief summary of the material attributes of the Preferred Securities. This summary does not purport to be complete. For full particulars and additional details on the Preferred Securities, reference should be made to the Preferred Securities Indenture, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***General***

The issued and outstanding Preferred Securities are governed by the Preferred Securities Indenture.

#### ***Principal Amount***

Each Preferred Security represents \$10 in principal amount.

### ***Preferred Securities Trustee***

The Preferred Securities Trustee under the Preferred Securities Indenture is Olympia Trust Company.

### ***Voting Rights***

The Preferred Securities do not carry any voting rights.

### ***Maturity***

The Preferred Securities are undated, perpetual securities having no fixed maturity date or redemption date. The Preferred Securities are not redeemable by the holder at any time or in any circumstances. Notwithstanding any default of Mosaic under the terms of the Preferred Securities Indenture (including any default in the payment of interest), the principal amount under any or all of the Preferred Securities will only become due and payable upon a liquidation, dissolution or bankruptcy of Mosaic.

### ***Security and Rank of Preferred Securities***

The Preferred Securities are unsecured and subordinated obligations of Mosaic ranking *pari passu* among themselves but subordinated and postponed to all indebtedness, liabilities and obligations of Mosaic which, by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations, is not expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by the Preferred Securities or any of them. The obligations under the Preferred Securities rank senior to the Common Shares.

### ***Right of Redemption by Mosaic***

The Preferred Securities are redeemable by Mosaic at any time at Mosaic's option, in whole or in part (in which case they will be redeemed on a *pro-rata* basis), upon payment in respect of each Preferred Security of the "**Redemption Price**" which means, in respect of each Preferred Security, the greater of: (i) the amount of \$10 dollars, being the principal amount thereof; and (ii) the market price (as defined in the Preferred Securities Indenture) of such Preferred Security; and, in each case, shall also include all accrued and unpaid interest on such Preferred Security (including any unpaid deferred interest, if any) up to but excluding the date of redemption. Mosaic will satisfy the Redemption Price by way of cash payment to the holders of Preferred Securities being redeemed.

### ***Purchase by Mosaic***

Mosaic may purchase Preferred Securities in the market, by tender or by private contract, at any time or price, subject to any applicable blackout periods. Preferred Securities purchased shall be cancelled and no Preferred Securities shall be issued in substitution.

### ***Interest Rate***

Each Preferred Security bears simple interest at a rate of 10% per annum from the date of issuance upon the \$10 principal amount thereof which, therefore, gives rise to an entitlement to a monthly distribution in the amount of \$0.0833 (\$1.00 per annum) which is payable monthly in arrears on or about the 15<sup>th</sup> day of the succeeding month. Interest payable on the Preferred Securities is cumulative and non-compounding. Each period from and including the first day of a month to and including the last day of the month is herein referred to as an "**Interest Period**". The current Interest Period is one month. Subject to the terms of the Preferred Securities Indenture, Mosaic may change the Interest Period in its discretion provided that it shall be no greater than six months in duration.

### ***Record and Payment Date for Interest Payments***

Subject to the right of Mosaic to defer interest payments, accrued and unpaid interest on the Preferred Securities for each Interest Period is payable on the interest payment date immediately following that Interest Period, to holders of Preferred Securities of record as of the last Business Day of the Interest Period. The interest payment date in respect of each Interest Period shall be the 15<sup>th</sup> day of the month immediately following such Interest Period, unless such day is not a Business Day in which event the interest payment date shall be the immediately next following Business Day unless earlier paid by Mosaic.

### ***Deferral of Interest***

Mosaic may indefinitely defer payment of all or part of any accrued interest otherwise due on an interest payment date by giving notice to the Preferred Securities Trustee not less than five Business Days prior to such interest payment date. Payments of interest following receipt of a notice of deferral shall continue to be deferred until payment is resumed in accordance with the terms of the Preferred Securities Indenture, meaning that once an interest deferral notice has been given to the Preferred Securities Indenture, no subsequent interest deferral notices will need to be given to the Preferred Securities Trustee or to holders of Preferred Securities for the interest to be deferred. The Preferred Securities Trustee is responsible to notify the holders of Preferred Securities of receipt of an interest deferral notice. Interest shall continue to accrue during any period of time in which payment of interest is deferred.

### ***Payment of Deferred Interest - Voluntary***

Subject to the requirement to pay deferred interest in certain circumstances (see "*Mandatory Payment of Deferred Interest*"), Mosaic may elect to pay all or any portion of such interest, which at that time stands deferred, and such payment may be made on any Business Day by first delivering written notice confirming the payment date to the Preferred Securities Trustee. Such notice must be given not less than five Business Days prior to the date selected for payment by Mosaic.

Mosaic's right to make payment of any deferred interest is subject to Mosaic, at the time of payment, not being aware of any reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due. Satisfaction of payment of the deferred interest will be by way of cash payment.

### ***Mandatory Payment of Deferred Interest***

Mosaic is obligated to pay all outstanding and unpaid deferred interest (or so much thereof as available distributable cash of Mosaic will permit) at the following times:

- (a) no later than the Business Day immediately prior to the date on which Mosaic declares the payment of any dividend, interest or other distribution in any form or amount, or makes a payment of any nature, in respect of any securities of Mosaic or other obligations of Mosaic which rank junior to the Preferred Securities (including the Common Shares);
- (b) no later than the Business Day immediately prior to the date on which Mosaic redeems, purchases or otherwise acquires any of its own share capital, securities or other obligations ranking junior to the Preferred Securities; and
- (c) at the time of any distribution of the assets of Mosaic arising from the liquidation, dissolution or bankruptcy of Mosaic.

In the event that either of the following events occurs:

- (a) Mosaic declares the payment of any dividend, interest or other distribution in any form or amount, or makes a payment of any nature, in respect of any securities or other obligations of Mosaic which rank *pari passu* with the Preferred Securities; or
- (b) Mosaic redeems, purchases or otherwise acquires any of its own securities or other obligations which rank *pari passu* with the Preferred Securities;

then mandatory partial payment of the outstanding and unpaid deferred interest on the Preferred Securities shall be made forthwith in such amount as is calculated in accordance with the terms of the Preferred Securities Indenture pertaining to calculation of such mandatory partial payment amounts.

### ***Default on Interest Payment***

A payment default ("**Payment Default**") with respect to the Preferred Securities will occur if Mosaic fails to pay or set aside for payment the amount due to satisfy any payment on the Preferred Securities when due, and such

failure continues for 30 days. The deferral of interest pursuant to the terms of the Preferred Securities Indenture shall not constitute a Payment Default under the Preferred Securities Indenture.

If any Payment Default occurs and continues, the Preferred Securities Trustee may pursue all legal remedies available to it, including commencing judicial proceedings for the collection of the sums due and unpaid. Notwithstanding a Payment Default, the Preferred Securities Trustee may not declare the principal amount of any outstanding Preferred Security to be due and payable.

#### ***Other Covenants***

Among other things, Mosaic covenants in the Preferred Securities Indenture substantially to the effect that:

- (a) Mosaic will furnish or cause to be furnished to the Preferred Securities Trustee, or its duly authorized agent or attorney, such information relating to the business of Mosaic as the Preferred Securities Trustee may reasonably require for the performance of its duties thereunder;
- (b) Mosaic will pay the Preferred Securities Trustee's reasonable remuneration for services thereunder and such remuneration will continue to be payable until the trusts thereof are finally wound up and whether or not the trusts of the Preferred Securities Indenture will be in the course of administration by or under the direction of the court; and
- (c) Mosaic will observe and comply with all governing laws relating to its business and operations.

#### ***Further Issuances***

Additional Preferred Securities having the same terms and conditions as those presently issued under the Preferred Securities Indenture may be issued under the Preferred Securities Indenture from time to time in such aggregate principal amount as Mosaic determines in its discretion. The terms of the Preferred Securities Indenture do not restrict the issuance by Mosaic of any securities of any kind or nature whatsoever.

#### ***Additional Indebtedness***

The terms of the Preferred Securities Indenture do not restrict the incurring of additional indebtedness by Mosaic, its subsidiaries or affiliates, whether secured or unsecured and whether ranking senior, *pari passu* or junior to the Preferred Securities.

#### ***Amendment to Indenture***

The terms of the Preferred Securities Indenture allow Mosaic, without the consent of the Preferred Securities Trustee or the holders of Preferred Securities, to amend or supplement the Preferred Securities Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not materially adversely affect the rights of the holders of Preferred Securities, considered together as a class and not individually.

#### ***Description of Debt Securities***

The following is a brief summary of certain general terms and provisions of the Debt Securities that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Debt Securities as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Debt Securities, and the extent to which the general terms and provisions described below may apply to such Debt Securities will be described in the applicable Prospectus Supplement.

Debt Securities may be offered separately or in combination with one or more other Securities. Mosaic may, from time to time, issue debt securities and incur additional indebtedness other than through the issuance of Debt Securities pursuant to this Prospectus.

The Debt Securities may be governed by one or more indentures (each, an "**Indenture**"), in each case, between Mosaic and a financial institution authorized to carry on business as a trustee (each, a "**Trustee**").

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Debt Securities being offered thereby, which may include, without limitation, the following (where applicable):

- the designation, aggregate principal amount and authorized denominations of such Debt Securities;
- the percentage of the principal amount or the price at which such Debt Securities will be issued or whether such Debt Securities will be issued on a non-fixed price basis;
- the date or dates on which such Debt Securities will mature;
- the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- the dates on which such interest will be payable and the record dates for such payments;
- the credit rating assigned to the Debt Securities by rating agencies (if any);
- the general terms or provisions pursuant to which the Debt Securities are to be issued;
- any redemption, retraction or call terms or terms under which such Debt Securities may be defeased;
- whether such Debt Securities are to be issued in registered form, "book-entry only" form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any exchange or conversion terms;
- the general terms or provisions, if any, pursuant to which such Debt Securities are to be guaranteed or secured;
- whether such Debt Securities will be senior or subordinated to other liabilities and obligations of Mosaic;
- any material covenants included for the benefit of holders of Debt Securities;
- certain material Canadian tax consequences of owning the Debt Securities; and
- any other material terms and conditions of the Debt Securities, including events of default and amendment provisions.

Neither the aggregate principal amount of Debt Securities that will be issued and sold nor the issue price to the public of the Debt Securities has been established, as the Debt Securities will be issued at such times, in such amounts and at such prices as Mosaic determines from time to time.

### **Description of Subscription Receipts**

The following is a brief summary of certain general terms and provisions of the Subscription Receipts that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Subscription Receipts as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Subscription Receipts, and the extent to which the general terms and provisions described below may apply to such Subscription Receipts will be described in the applicable Prospectus Supplement.

Subscription Receipts may be offered separately or together with other Securities, as the case may be. The Subscription Receipts may be issued under a subscription receipt agreement.

The applicable Prospectus Supplement will include details of any subscription receipt agreement covering the Subscription Receipts being offered. A copy of any subscription receipt agreement relating to an offering of Subscription Receipts will be filed by Mosaic with the relevant securities regulatory authorities in Canada after Mosaic has entered into it. The specific terms of the Subscription Receipts, and the extent to which the general terms described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement. This description may include, without limitation, the following (where applicable):

- the number of Subscription Receipts;
- the price at which the Subscription Receipts will be offered;

- the terms, conditions and procedures for the conversion of the Subscription Receipts into other Securities;
- the designation, number and terms of the other Securities that may be exchanged upon conversion of each Subscription Receipt;
- the designation, number and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- terms applicable to the gross or net proceeds from the sale of the Subscription Receipts plus any interest earned thereon;
- certain material Canadian tax consequences of owning the Subscription Receipts; and
- any other material terms and conditions of the Subscription Receipts.

### **Description of Units**

The following is a brief summary of certain general terms and provisions of the Units that may be offered pursuant to this Prospectus. This summary does not purport to be complete. The particular terms and provisions of the Units as may be offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement pertaining to such offering of Units, and the extent to which the general terms and provisions described below may apply to such Units will be described in the applicable Prospectus Supplement.

Mosaic may issue Units comprised of one or more of the other Securities described herein in any combination.

Each Unit may be issued so that the holder of the Unit is also the holder of each Security included in the Unit. Thus, the holder of a Unit may have the rights and obligations of a holder of each included Security. Any Unit agreement under which a Unit may be issued may provide that the Securities included in the Unit may not be held or transferred separately at any time or at any time before a specified date.

Each applicable Prospectus Supplement will set forth the terms and other information with respect to the Units being offered thereby, which may include, without limitation, the following (where applicable):

- the designation, number and terms of the Units and of the Securities comprising the Units, including whether and under what circumstances those Securities may be held or transferred separately;
- any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the Securities comprising the Units;
- certain material Canadian tax consequences of owning the Securities comprising the Units; and
- any other material terms and conditions of the Units.

The preceding description and any description of Units in an applicable Prospectus Supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to any Unit agreement and, if applicable, collateral arrangements and depositary arrangements relating to such Units.

### **PRIOR SALES**

Mosaic has not issued any Securities, or other securities that are convertible into Securities, in the 12-month period preceding the date of this Prospectus except for: (i) restricted securities units ("RSUs") issued under the Securities-Based Compensation Plan as part of Mosaic's variable compensation incentive program; and (ii) 2,524,240 units, comprised of 2,524,240 Preferred Securities and 631,060 Common Share Purchase Warrants, issued as part of the June 2014 Offering.

The following table sets forth information for the securities that Mosaic has issued in the 12-month period preceding the date of this Prospectus:

| Type of Securities | Date of Issue    | Issue Price | Securities Underlying the RSUs or Units |
|--------------------|------------------|-------------|-----------------------------------------|
| RSUs               | January 10, 2014 | \$11.90     | Up to 142,839 Common Shares             |
|                    |                  | \$11.10     | Up to 153,133 Preferred Securities      |
|                    | May 15, 2014     | \$11.90     | Up to 4,740 Common Shares               |
|                    |                  | \$11.10     | Up to 5,082 Preferred Securities        |
| 2,524,240 units    | July 4, 2014     | \$12.73     | Up to 5,892 Common Shares               |
|                    | June 20, 2014    | \$11.40     | 2,524,240 Preferred Securities          |
|                    |                  |             | 631,060 Common Share Purchase Warrants  |

The RSUs were issued to executive officers, directors and certain consultants and employees of Mosaic and are subject to cancellation in whole or in part to the extent that specified performance criteria are not met or exceeded. The RSUs held by a grantee will vest yearly in three equal tranches starting on or about the date on which Mosaic's board of directors makes its determination as to the degree of success in attaining the performance criteria, which determination will determine the corresponding number of RSUs to remain available for vesting and those to be cancelled (if any) for each grantee. The RSUs are to be settled on a one-for-one basis for the underlying security (either Common Shares or Preferred Securities) and have been issued pursuant to Mosaic's Securities-Based Compensation Plan.

As at September 17, 2014: (i) Mosaic has outstanding, as unconditionally issued and granted 376,882 Common Share RSUs (of which 196,790 are fully vested and 180,092 remain unvested) and 27,932 Preferred Security RSUs (of which 15,908 are fully vested and 12,024 remain unvested); and (ii) Mosaic has outstanding, as conditionally issued as part of the variable compensation incentive program for the 2014 year, the maximum potential number of RSUs to which participants in the 2014 variable compensation incentive program may become entitled (being up to 129,165 Common Share RSUs or 138,477 Preferred Security RSUs, or a combination thereof), but all or a portion of the RSUs conditionally issued to any participant may be cancelled in approximately the second quarter of 2015 to the extent that specified individual and corporate performance criteria are not met as well as based upon certain elections that may be made by the participant. Currently the maximum potential number of Common Shares and Preferred Securities to be delivered upon exercise of the outstanding RSUs is 506,047 Common Shares and 166,409 Preferred Securities.

As part of the Arrangement, certain holders of securities of First West were issued options entitling the holders thereof to acquire an aggregate of 117,425 Series A Shares and 234,850 Common Shares. As at September 17, 2014, the issued and outstanding options entitle the holders thereof to purchase an aggregate of: (i) 69,300 Series A Shares at a weighted average exercise price of \$7.36 per Series A Share (the majority of such options expire in 2017); and (ii) 221,760 Common Shares at a weighted average price of \$3.52 per Common Share (the majority of such options expire in 2017). As at September 17, 2014, there were 41,580 Series A Shares issued and outstanding. The Series A Shares are entitled to a preference over the Common Shares and any other shares ranking junior to the Series A Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Mosaic. The Series A Shares are non-voting and will entitle the holder thereof to a dividend equal to the interest payments made on the Preferred Securities. Each Series A Share is redeemable for one Preferred Security.

On June 20, 2014, Mosaic completed the June 2014 Offering. Mosaic issued 2,524,240 units, comprised of 2,524,240 Preferred Securities and 631,060 Common Share Purchase Warrants, at a price of \$11.40 per unit. The full details of the June 2014 Offering are described in Mosaic's short form prospectus dated June 13, 2014, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### TRADING PRICE AND VOLUME

The Common Shares trade on the Exchange under the symbol "M". On September 18, 2014, being the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the Exchange was \$14.45. The price range and trading volume of the Common Shares for each month from September 2013 to August 2014 and September 1, 2014 to September 18, 2014, as reported by the Exchange are set out below:

| Month                  | Price Range |         | Total Volume |
|------------------------|-------------|---------|--------------|
|                        | High        | Low     |              |
| September 2013         | \$11.95     | \$9.26  | 210,533      |
| October 2013           | \$14.25     | \$10.95 | 160,608      |
| November 2013          | \$14.26     | \$12.05 | 122,777      |
| December 2013          | \$12.84     | \$11.25 | 177,424      |
| January 2014           | \$13.10     | \$11.11 | 104,909      |
| February 2014          | \$12.45     | \$11.15 | 61,187       |
| March 2014             | \$12.15     | \$11.00 | 95,767       |
| April 2014             | \$11.50     | \$10.50 | 212,319      |
| May 2014               | \$12.70     | \$10.09 | 127,126      |
| June 2014              | \$13.18     | \$11.86 | 94,866       |
| July 2014              | \$13.50     | \$12.61 | 52,010       |
| August 2014            | \$13.60     | \$12.20 | 70,158       |
| September 1 - 18, 2014 | \$14.95     | \$13.00 | 112,654      |

The Preferred Securities trade on the Exchange under the symbol "M.PR.A". On September 18, 2014, being the last trading day prior to the date of this Prospectus, the closing price of the Preferred Securities on the Exchange was \$11.40. The price range and trading volume of the Preferred Securities for each month from September 2013 to August 2014 and September 1, 2014 to September 18, 2014, as reported by the Exchange are set out below:

| Month                  | Price Range |         | Total Volume |
|------------------------|-------------|---------|--------------|
|                        | High        | Low     |              |
| September 2013         | \$11.69     | \$10.83 | 125,673      |
| October 2013           | \$11.81     | \$11.16 | 96,559       |
| November 2013          | \$11.80     | \$11.00 | 68,527       |
| December 2013          | \$11.49     | \$10.55 | 76,289       |
| January 2014           | \$11.57     | \$10.82 | 82,061       |
| February 2014          | \$11.38     | \$10.70 | 165,027      |
| March 2014             | \$11.19     | \$10.90 | 83,280       |
| April 2014             | \$11.20     | \$10.36 | 137,227      |
| May 2014               | \$11.78     | \$10.98 | 117,424      |
| June 2014              | \$11.44     | \$11.00 | 115,642      |
| July 2014              | \$11.49     | \$11.01 | 120,383      |
| August 2014            | \$11.60     | \$11.17 | 132,773      |
| September 1 - 18, 2014 | \$11.68     | \$11.16 | 90,602       |

The Common Share Purchase Warrants trade on the Exchange under the symbol "M.WT". On September 18, 2014, being the last trading day prior to the date of this Prospectus, the closing price of the Common Share Purchase Warrants on the Exchange was \$0.67. The price range and trading volume of the Common Share Purchase Warrants for each month from June 2014 to August 2014 and September 1, 2014 to September 18, 2014, as reported by the Exchange are set out below:

| Month                  | Price Range |         | Total Volume |
|------------------------|-------------|---------|--------------|
|                        | High        | Low     |              |
| June 20 - 30, 2014     | \$0.50      | \$0.075 | 6,530        |
| July 2014              | \$0.60      | \$0.60  | 1,806        |
| August 2014            | \$0.65      | \$0.60  | 4,501        |
| September 1 - 18, 2014 | \$0.67      | \$0.60  | 3,950        |

## HISTORY OF DIVIDENDS AND DISTRIBUTIONS

### Dividends – Common Shares

In January 2012, the Mosaic board of directors adopted a dividend policy of paying a regular quarterly dividend on the Common Shares. The quarterly dividend was initiated at \$0.02 per Common Share and has progressively increased over time, and on August 20, 2014 Mosaic announced that its board of directors had approved a further increase of the quarterly dividend from \$0.06 per Common Share to \$0.08 per Common Share (or \$0.32 per Common Share on an annualized basis). The first dividend of \$0.08 per Common Share will be paid on September 30, 2014 to all holders of Common Shares of record as of August 29, 2014.

The amount and payment of future dividends, whether quarterly or otherwise, is subject to the discretion of the Mosaic board of directors and will be dependent upon Mosaic's results of operations, current and anticipated cash requirements, the satisfaction of solvency tests imposed by the ABCA and other relevant factors.

### Distributions – Preferred Securities

The Preferred Securities bear simple interest at a rate of \$1.00 per annum which is currently paid monthly (\$0.0833 per Preferred Security) in arrears. Subject to the terms of the Preferred Securities Indenture, interest on the Preferred Securities is generally paid on the 15<sup>th</sup> day of the month following an Interest Period. The current Interest Period is one month and the monthly interest payment is \$0.0833 per Preferred Security. This monthly payment has consistently been made by Mosaic since the inception of Mosaic in 2011. See "*Description of Securities – Description of Preferred Securities*" for further details concerning interest payments.

## USE OF PROCEEDS

The use of proceeds from the sale of Securities will be described in the applicable Prospectus Supplement relating to a specific offering and sale of Securities. Among other potential uses, Mosaic may use the net proceeds from the sale of Securities: (i) for future acquisitions; (ii) for general corporate and working capital purposes; and (iii) to repay indebtedness, including without limitation, to repay all or a portion of the funds advanced to it, from time to time, pursuant to the Credit Facility.

Management of Mosaic will retain broad discretion in allocating the net proceeds of any offering of Securities under this Prospectus and Mosaic's actual use of the net proceeds will vary depending on the availability and suitability of acquisition and investment opportunities and its operating and capital needs from time to time.

Mosaic may, from time to time, issue securities (including Securities) other than pursuant to this Prospectus.

## EARNINGS COVERAGE RATIO

Earnings coverage ratios will be provided as required in the applicable Prospectus Supplement(s) with respect to the issuance of Preferred Shares, Preferred Securities and Debt Securities, as applicable, pursuant to this Prospectus.

## CONSOLIDATED CAPITALIZATION OF MOSAIC

The material changes in the consolidated capitalization of Mosaic from June 30, 2014 to September 17, 2014 are as follows:

- On August 28, 2014 Mosaic drew down \$9.0 million on the Credit Facility which immediately prior thereto had a nil outstanding balance. Such funds were used in connection with the September 1, 2014 acquisition by Mosaic of a 75% interest in the business carried on by Place-Crete Systems Inc. and Floor-Tech Systems Inc. See "*Recent Developments – Place-Crete*".
- On September 1, 2014 Mosaic issued a three-year promissory note in the principal amount of \$4.0 million and bearing interest at 5% per annum. The note was issued as partial consideration to the vendors in connection with the September 1, 2014 acquisition by Mosaic of a 75% interest in the business carried on by Place-Crete Systems Inc. and Floor-Tech Systems Inc.

The following table sets forth the *pro forma* consolidated capitalization of Mosaic as at June 30, 2014, as adjusted to give effect to the transactions which have closed since July 1, 2014:

| Designation                     | Authorized | As at<br>June 30, 2014 before giving<br>effect to transactions since<br>June 30, 2014 <sup>(1)</sup> |              | As at<br>September 17, 2014 after giving<br>effect to transactions since<br>June 30, 2014 <sup>(1)</sup> |              |
|---------------------------------|------------|------------------------------------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------|--------------|
|                                 |            | Outstanding                                                                                          | Book Value   | Outstanding                                                                                              | Book Value   |
| Common Shares                   | unlimited  | 8,170,575 <sup>(2)</sup>                                                                             | \$14,529,000 | 8,170,575 <sup>(2)</sup>                                                                                 | \$14,529,000 |
| Series A Shares                 | unlimited  | 41,580 <sup>(3)</sup>                                                                                | \$270,000    | 41,580 <sup>(3)</sup>                                                                                    | \$270,000    |
| Preferred Securities            | unlimited  | 9,965,812                                                                                            | \$96,045,000 | 9,965,812                                                                                                | \$96,045,000 |
| Warrants                        | unlimited  | 631,060                                                                                              | \$250,000    | 631,060                                                                                                  | \$250,000    |
| Operating Loan <sup>(4)</sup>   | N/A        | \$3,162,000                                                                                          | N/A          | \$15,257,000                                                                                             | N/A          |
| Mortgage Payable <sup>(5)</sup> | N/A        | \$1,401,000                                                                                          | N/A          | \$1,368,000                                                                                              | N/A          |
| Notes Payable <sup>(6)</sup>    | N/A        | \$8,606,000                                                                                          | N/A          | \$7,279,575                                                                                              | N/A          |

- (1) The number of outstanding securities does not take into account an aggregate of 530,990 Common Shares (526,833 Common Shares as at September 17, 2014), 186,147 Preferred Securities (166,409 Preferred Securities as at September 17, 2014) and 69,300 Series A Shares issuable pursuant to the exercise of RSUs, options and other incentive rights governed by the Securities-Based Compensation Plan.
- (2) The management's discussion and analysis for the six-month period ended June 30, 2014 reflects 7,952,150 Common Shares outstanding. The difference in the number of Common Shares outstanding results from accounting treatment which requires a reduction in the reported number of outstanding Common Shares equal to the number of Common Shares purchased in the market by the party who has been appointed trustee of the Securities-Based Compensation Plan. As of June 30, 2014, the trustee held 218,425 Common Shares (200,974 Common Shares as at September 17, 2014) in trust on behalf of participants under the Securities-Based Compensation Plan, which will eventually be utilized to satisfy Mosaic's obligation under the Securities-Based Compensation Plan to deliver Common Shares on settlement of securities issued by Mosaic under the Securities-Based Compensation Plan.
- (3) Each Series A Share is redeemable for one Preferred Security.
- (4) As at June 30, 2014 the Mosaic Credit Facility was undrawn but has now been drawn to \$9.0 million as at September 17, 2014. See "Credit Facility". On October 10, 2013, FWPLP obtained a non-revolving demand credit facility with a Canadian chartered bank in the amount of \$2.258 million. This loan relates to a commercial property that has been classified as an income-producing property. As at June 30, 2014, FWPLP has drawn down \$907,000 on the facility, which amount remains outstanding as at September 17, 2014. The facility bears interest at prime plus 1.0% with interest payable monthly until January 2015. Borrowings under the facility are secured by a general security agreement and a demand collateral mortgage second charge over the commercial property acquired. In addition, Streamline has an operating facility in the amount of \$10 million. As at June 30, 2014, Streamline had drawn down approximately \$1.65 million on this operating facility (\$5,350,000 as at September 17, 2014). This operating facility is a revolving demand credit facility and is secured by a general security agreement over all present and after acquired personal property of Streamline. The facility bears interest at prime plus 0.75% to 1.25%, depending on the calculation of certain covenants under the facility, and total borrowings under the facility can not exceed 75% of accounts receivable (as defined by the terms of the facility). Ambassador has in place a revolving demand credit facility which can be drawn to the lesser of \$3 million or the combined value of eligible assigned accounts receivable and inventories (as defined by the terms of the facility). Borrowings are secured by a charge against the assets of Ambassador, and the facility bears interest at the prime rate of the lending institution plus 0.5%. As at each of June 30, 2014 and September 17, 2014, Ambassador had not drawn on the facility. Industrial Scaffold has in place a demand revolving credit facility which was increased to \$4 million effective June 4, 2014, secured by a charge against the assets of Industrial Scaffold. Borrowings under this facility can not exceed 75% of accounts receivable (as defined by the terms of the facility), and interest is charged at the prime rate of the lending institution plus 1.0%. As at June 30, 2014, Industrial Scaffold had drawn down \$605,000 on this credit facility (\$nil as at September 17, 2014).
- (5) Mortgage payable includes a first mortgage held by an independently-owned mortgage service company which was assumed by Mosaic and which relates to a commercial property that has been classified as an income-producing property. The mortgage matures in January 2015 and bears interest at 5.39%, payable with fixed monthly blended payments of \$15,000 and is secured by a mortgage and a general security agreement against the property.
- (6) Notes payable include vehicle financing, equipment and leasehold improvement loans, finance leases and notes payable to holders of non-controlling interests. As at June 30, 2014 notes payable to holders of non-controlling interests amounted to \$4,155,000 (\$3,354,000 as at September 17, 2014). Industrial Scaffold has in place a \$750,000 non-revolving demand term credit facility, secured by a charge against the assets of Industrial Scaffold, and bearing interest at 3.32%. As at June 30, 2014, the facility had a balance of \$570,000 (\$524,000 as at September 17, 2014). Streamline has a term loan facility for up to \$4 million which bears interest at prime plus 0.75% to 1.25%, depending on the calculation of certain covenants under the term loan. The purpose of the term loan facility is for equipment and vehicle purchases, and borrowings under the facility are secured by a general security agreement and a fixed charge over the equipment. As at June 30, 2014, Streamline had \$251,000 outstanding on this facility (\$241,000 as at September 17, 2014).

## CREDIT FACILITY

Mosaic entered into an agreement (the "Credit Agreement") with ATB Corporate Financial Services on May 20, 2014 to provide \$25 million in credit facilities to Mosaic (the "Credit Facility"). A copy of the Credit Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Credit Facility is comprised of a \$25 million dollar revolving committed operating loan for the purposes of acquisitions, refinancing existing credit facilities, day to day operating requirements and capital expenditures. The Credit Facility is for a three-year term, bearing interest at rates

ranging from prime plus 0.50% - 1.25%. The Credit Facility is secured by, among other things, general security agreements granted by Mosaic and certain of its subsidiaries together with the assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries. As at September 17, 2014, Mosaic has an outstanding balance of approximately \$9.0 million on the Credit Facility which relates to funding of its acquisitions.

The Credit Agreement contains, among other things, the following covenants: (i) Mosaic will not complete any acquisition other than a Permitted Acquisition (as defined in the Credit Agreement); and (ii) Mosaic shall not incur or permit to be incurred any capital expenditure using proceeds from the Credit Facility if the aggregate amount of all capital expenditures of Mosaic on a consolidated basis, including such proposed capital expenditure at such time, using proceeds from the Credit Facility, exceeds \$5 million in the aggregate.

The Credit Agreement also contains certain financial covenants stating that Mosaic will not at any time, without prior written consent, breach the following restrictions: (i) permit the ratio of net funded debt to EBITDA to exceed (A) 2.5:1 for the fiscal quarters ending June 30, 2014, September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015; and (B) 2:1 thereafter; or (ii) permit the fixed charge coverage ratio to be less than 1.15:1; provided that the fixed charge coverage ratio shall only be tested if net funded debt is greater than zero.

#### **PLAN OF DISTRIBUTION**

Mosaic may from time to time during the 25-month period that this Prospectus, including any amendments hereto, remains valid, offer for sale and issue up to an aggregate of \$200,000,000 in Securities hereunder.

Mosaic may offer and sell the Securities to or through underwriters or dealers purchasing as principals, and may also sell directly to one or more purchasers or through agents or pursuant to applicable statutory exemptions. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent, as the case may be, engaged by Mosaic in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including, to the extent applicable, any fees, discounts or any other compensation payable to underwriters, dealers or agents in connection with the offering, the method of distribution of the Securities, the initial issue price (in the event that the offering is a fixed price distribution), the proceeds that Mosaic will receive and any other material terms of the plan of distribution. Any initial offering price and discounts, concessions or commissions allowed or reallocated or paid to dealers may be changed from time to time.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers is less than the gross proceeds paid by the underwriter, dealer or agent to Mosaic. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

In connection with the sale of the Securities, underwriters, dealers or agents may receive compensation from Mosaic or from other parties, including in the form of underwriters', dealers' or agents' fees, commissions or concessions. Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters for the purposes of applicable Canadian securities legislation and any such compensation received by them from Mosaic and any profit on the resale of the Securities by them may be deemed to be underwriting commissions.

In connection with any offering of Securities, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level other than those which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

Underwriters, dealers or agents who participate in the distribution of the Securities may be entitled, under agreements to be entered into with Mosaic, to indemnification by Mosaic against certain liabilities, including liabilities under Canadian securities legislation, or to contribution with respect to payments which such underwriters,

dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, Mosaic in the ordinary course of business.

The issued and outstanding Common Shares, Preferred Securities and Common Share Purchase Warrants of Mosaic trade on the Exchange under the symbols "M", "M.PR.A" and "M.WT", respectively. On September 18, the last trading day prior to the date of this Prospectus, the closing price of the issued and outstanding Common Shares, Preferred Securities and Common Share Purchase Warrants on the Exchange were \$14.45, \$11.40, and \$0.67, respectively.

Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Common Shares, Preferred Securities and Common Share Purchase Warrants) will be a new issue of Securities with no established trading market. Accordingly, there is currently no market through which the Securities (other than Common Shares, Preferred Securities and Common Share Purchase Warrants) may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation. See "*Risk Factors*".

This Prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. Unless otherwise specified in the applicable Prospectus Supplement, the Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws. Unless otherwise specified in the applicable Prospectus Supplement, the Securities may not be offered or sold in the U.S. or to, or for the account or benefit of, U.S. persons, unless the Securities are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. Each underwriter, dealer and agent who participates in the distribution will agree not to sell or offer to sell or to solicit any offer to buy any Securities within the U.S. or to, or for the account or benefit of, a U.S. person, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these Securities in the U.S.

#### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement will include a general summary of certain material Canadian federal income tax consequences which may be applicable to a purchaser of the Securities offered thereunder.

#### RISK FACTORS

**Before deciding to invest in any Securities, prospective purchasers of the Securities should consider carefully the risk factors and the other information contained and incorporated by reference in this Prospectus and the applicable Prospectus Supplement relating to a specific offering of Securities before purchasing the Securities. An investment in the Securities offered hereunder is speculative and involves a high degree of risk. Information regarding the risks affecting Mosaic and its business is provided in the documents incorporated by reference in this Prospectus, including in Mosaic's most recent annual information form under the heading "*Risk Factors*". See "*Documents Incorporated by Reference*".**

#### Risks Related to the Offering

##### *No Assurance of Active or Liquid Market*

No assurance can be given that an active or liquid trading market for the Common Shares, Preferred Securities or Common Share Purchase Warrants will be sustained. If an active or liquid market for the Common Shares, Preferred Securities or Common Share Purchase Warrants fails to be sustained, the prices at which such Securities trade may be adversely affected. Whether or not the Common Shares, Preferred Securities or Common Share Purchase Warrants will trade at lower prices depends on many factors, including the liquidity of the Common Shares, Preferred Securities or Common Share Purchase Warrants, prevailing interest rates and the markets for similar securities, general economic conditions and Mosaic's financial condition, historic financial performance and future prospects.

There is currently no market through which the Securities (other than the Common Shares, Preferred Securities and Common Share Purchase Warrants) may be sold and purchasers may not be able to resell such securities. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such securities, and the extent of issuer regulation.

### ***Public Markets and Share Prices***

The market price of the Common Shares, Preferred Securities, Common Share Purchase Warrants and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange could be subject to significant fluctuations in response to variations in Mosaic's operating results or other factors. In addition, fluctuations in the stock market may adversely affect the market price of the Common Shares, Preferred Securities, Common Share Purchase Warrants and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange regardless of the operating performance of Mosaic. Securities markets have also experienced significant price and volume fluctuations from time to time. In some instances, these fluctuations have been unrelated or disproportionate to the operating performance of issuers. Market fluctuations may adversely impact the market price of the Common Shares, Preferred Securities, Common Share Purchase Warrants and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange. There can be no assurance of the price at which the Common Shares, Preferred Securities, Common Share Purchase Warrants and any other Securities offered hereunder that become listed and posted for trading on the Exchange or any other stock exchange will trade.

### ***Additional Issuances and Dilution***

Mosaic may issue and sell additional securities of Mosaic to finance its operations or future acquisitions. Mosaic cannot predict the size of future issuances of securities of Mosaic or the effect, if any, that future issuances and sales of securities will have on the market price of any Securities of Mosaic issued and outstanding from time to time. Sales or issuances of substantial amounts of securities of Mosaic, or the perception that such sales could occur, may adversely affect prevailing market prices for securities of Mosaic issued and outstanding from time to time. With any additional sale or issuance of securities of Mosaic, holders will suffer dilution with respect to voting power and may experience dilution in Mosaic's earnings per share. Moreover, this Prospectus may create a perceived risk of dilution resulting in downward pressure on the price of Mosaic's issued and outstanding Common Shares, Preferred Securities and Common Share Purchase Warrants, which could contribute to progressive declines in the prices of such securities.

### ***Completion of Potential Acquisitions***

Any potential acquisition, if it proceeds, will be subject to conditions, which may include, without limitation, satisfactory completion of Mosaic's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from Mosaic's board of directors. As a result, there can be no assurance that Mosaic will complete any acquisitions on the basis described in this Prospectus or otherwise publically announced from time to time. If Mosaic does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; (iii) if the Offering is completed, Mosaic may possess substantial unutilized acquisition capacity, which would cause its financial performance to be negatively impacted until suitable opportunities are identified for acquisition and such acquisitions are completed; and (iv) there is no assurance that such suitable opportunities will be available to Mosaic in the future or at all.

### ***Mosaic has Broad Discretion in the Use of the Net Proceeds from this Offering***

Management of Mosaic will have broad discretion with respect to the application of net proceeds received by Mosaic from the sale of Securities under this Prospectus or a future Prospectus Supplement and may spend such proceeds in ways that do not improve Mosaic's results of operations or enhance the value of the Common Shares or its other securities issued and outstanding from time to time. Any failure by management to apply these funds effectively could result in financial losses that could have a material adverse effect on Mosaic's business or cause the price of the securities of Mosaic issued and outstanding from time to time to decline.

### ***Tax Consequences***

Tax filings made or to be made by Mosaic, including those related to income and expenses as well as those arising out of acquisition or disposition transactions, involve interpretations of the Tax Act which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to Mosaic. Further, the acquisition and disposition of businesses and assets by Mosaic often involve various structuring events to complete the transactions in a tax efficient manner and, consequently, involve interpretations of the Tax Act which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to Mosaic.

There may be an enactment, promulgation or public announcement of a change or proposed change in tax law (including a specific proposal to amend the Tax Act publicly announced by the Department of Finance of Canada or the Minister of Finance of Canada) or applicable case law or written and published interpretative guidance or policy of the Canada Revenue Agency or provincial equivalent that could result in a material impairment of, or materially adversely affect, the operations or financial or tax position of Mosaic or its subsidiaries.

### **AUDITORS, TRANSFER AGENT, REGISTRAR AND TRUSTEE**

The auditors of Mosaic are Deloitte LLP, Chartered Accountants, of Calgary, Alberta. Deloitte LLP was first appointed as auditors of Mosaic on March 9, 2011.

The transfer agent and registrar for the Common Shares, Preferred Securities and Common Share Purchase Warrants is Olympia Trust Company at its principal transfer offices in Calgary, Alberta. Olympia Trust Company is the trustee pursuant to the Preferred Securities Indenture, which provides for the issue of the Preferred Securities, as amended and supplemented by the Supplemental Preferred Securities Indenture. Olympia Trust Company is the Warrant Agent pursuant to the Warrant Indenture, which provides for the issue of the Common Share Purchase Warrants.

### **LEGAL MATTERS**

Unless otherwise specified in a Prospectus Supplement relating to any Securities offered, certain legal matters in connection with the offering of Securities will be passed upon on behalf of Mosaic by Farris, Vaughan, Wills & Murphy LLP. In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents, as the case may be.

### **PURCHASER'S STATUTORY RIGHTS**

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

In an offering of Securities that are convertible, exchangeable or exercisable into other securities of Mosaic, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which such Securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the conversion, exchange or exercise of the Security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

#### **PURCHASER'S CONTRACTUAL RIGHTS**

Original purchasers of: (i) Subscription Receipts; (ii) Debt Securities that are convertible, exchangeable or exercisable into other Securities of Mosaic; or (iii) Warrants offered separately without other Securities, will have a contractual right of rescission against Mosaic in respect of the conversion, exchange or exercise of such a Subscription Receipt, Debt Security or Warrant. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying Securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that both: (i) the conversion, exchange or exercise; and (ii) the exercise of the contractual right of rescission take place within 180 days of the date of the purchase of the aforementioned Subscription Receipts, Debt Securities or Warrants under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 203 of the *Securities Act* (Alberta), and is in addition to any other right or remedy available to original purchasers under section 203 the *Securities Act* (Alberta) or otherwise at law.

**CERTIFICATE OF MOSAIC**

Dated: September 19, 2014

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

**MOSAIC CAPITAL CORPORATION**

By: (Signed) JOHN MACKAY  
Chief Executive Officer

By: (Signed) HAROLD KUNIK  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

By: (Signed) ROGER GIOVANETTO  
Director

By: (Signed) WILLIAM H. SMITH  
Director