

## AMENDED AND RESTATED CONFIDENTIAL OFFERING MEMORANDUM

*This amended and restated offering memorandum (“Offering Memorandum”) 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 and to those persons to whom they may be lawfully offered for sale. No securities commission or similar regulatory authority in Canada has reviewed this Offering Memorandum or has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. No prospectus has been filed with any such authority in connection with the securities offered hereunder. This Offering Memorandum is confidential and is provided to specific prospective investors for the purpose of assisting them and their professional advisors in evaluating the securities offered hereby and is not to be construed as a prospectus or advertisement or a public offering of these securities.*

Continuous Offering

Revised as of August 30, 2016

### ALPHANORTH PARTNERS FUND INC. CLASS A, CLASS D, CLASS J AND CLASS L SHARES

AlphaNorth Partners Fund Inc. (the “Fund”) is a corporation incorporated under the laws of Ontario. The Fund is offering redeemable, retractable, non-voting, participating shares of four classes: Class A Shares, Class D Shares, Class J Shares and Class L Shares (collectively, the “Shares”) on a continuous basis pursuant to this Offering Memorandum (the “Offering”). The distribution of Shares is being made to investors on a private placement basis only and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities.

The investment objective of the Fund is to provide investors with long-term capital growth through superior selection of North American, and principally Canadian, securities of small capitalization companies. The Fund will seek to earn returns through its investment strategies, which include: (i) market neutral investing in long and short positions and (ii) investing in securities of issuers in special situations, including event-driven situations such as corporate restructurings, mergers, hostile takeovers, bankruptcies or leveraged buyouts.

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#### SUBSCRIPTION PRICE: NAV PER SHARE

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AlphaNorth Asset Management (the “Manager”) is the investment fund manager and portfolio manager of the Fund and will be responsible for providing or arranging for the provision of investment management and administrative services required by the Fund. The Manager will be responsible for the execution of the investment strategy of the Fund. The Shares will be offered for sale through the Manager and by other qualified dealers through the facilities of FundSERV. **The Fund may be considered to be a “connected issuer” and is a “related issuer” of the Manager because the Manager holds 100% of the Class B Shares and 50% of the Class C Shares.** See “Principal Shareholders”.

**Although the Fund is a “mutual fund” as defined in the securities legislation applicable in certain provinces, it does not operate in accordance with the requirements of National Instrument 81-102 and other policies and regulations of the securities regulatory authorities that are applicable to mutual funds that have offered securities under a prospectus and are reporting issuers.**

Subscription forms and cleared funds received at least five Business Days prior to the end of each month will be accepted on the last Business Day of such month (a “Valuation Date”). Subscriptions received after that time will be accepted on the next Valuation Date. Shares may be surrendered for retraction at the Retraction Price (as defined below) on each Valuation Date, provided a retraction request is made in writing to the Manager or to the Shareholder’s investment advisor or broker who is a participant in the order entry system operated by FundSERV Inc. (“FundSERV”), at least 90 days prior to the Valuation Date on which the retraction is to be made, subject to the Fund’s right to suspend retractions in certain circumstances. Retraction requests may be accepted less than 90 days prior to the Valuation Date in the sole discretion of the Manager. Class D Shares, Class J Shares or Class L Shares that have been held for less than two years may be surrendered for retraction upon the same terms, subject to an early redemption fee (the “Early Redemption Fee”) equal to (a) 3% of the aggregate Net Asset Value of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for 12 months or less and (b) 1.5% of the aggregate Net Asset Value per Share of the Class D Shares, Class J Share or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for more than 12 months but less than 24 months. The Early Redemption Fee is payable to the Manager.

**An investment in Shares is speculative. A subscription for Shares should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund.**

**There is no market through which the Shares may be sold and none is expected to develop. Transfer of the Shares is subject to approval by the Manager and the Shares are also subject to resale restrictions under applicable securities legislation. Persons who receive this Offering Memorandum must inform themselves of, and observe, all applicable restrictions with respect to the acquisition or disposition of Shares under applicable securities legislation. Retractions will be suspended in certain circumstances. See “Retraction of Shares”. There are certain additional risk factors associated with investing in Shares. Investors should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in Shares. Please see “Resale Restrictions” and “Risk Factors”.**

No person is authorized to give any information or to make any representation not contained in this Offering Memorandum and any information or representation, other than that contained in this Offering Memorandum, must not be relied upon. This Offering Memorandum is a confidential document furnished solely for the use of prospective purchasers who, by acceptance hereof, agree that they shall not transmit, reproduce or make available this document or any information contained in it.

**Subscribers are encouraged to consult with independent legal and tax advisors prior to signing a subscription agreement to purchase the Shares.**

**This Offering Memorandum amends and restates the offering memorandum of AlphaNorth Partners Fund Inc. originally issued on November 25, 2009 and the offering memorandum of AlphaNorth Partners Fund Inc. offering Partners Fund II Shares (formerly Class F, G and J Shares) originally issued on August 2, 2013 and amended and restated on December 19, 2013, January 29, 2014, February 12, 2015 and August 30, 2016.**

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## SUMMARY

*Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund. This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Memorandum.*

**The Fund:** AlphaNorth Partners Fund Inc. was incorporated under the laws of the Province of Ontario on October 23, 2007. Its articles were amended on January 2, 2015 to reflect a capital reorganization involving, among other transactions, the exchange of Class F Shares of Partners Fund II for Class A Shares of the Fund, the exchange of Class G Shares of Partners Fund II for Class D Shares of the Fund, the exchange of Class K Shares for Class A Shares and Class D Shares of the Fund, as applicable, and the redesignation of Class J Shares of Partners Fund II as Class J Shares of the Fund. The Manager also exchanged its Class H Shares of Partners Fund II for Class B Shares of the Fund. The Class F, Class G, Class H and Class K Shares were subsequently deleted from the articles of AlphaNorth Partners Fund Inc. On August 30, 2016, its articles were amended to reflect the addition of Class L Shares.

**The Offering:** The Fund is authorized to issue an unlimited number of Class A Shares, Class D Shares, Class J Shares and Class L Shares (collectively, the “**Shares**”) on a continuous basis. The distribution of Shares is being made to investors on a private placement basis only and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities. The Shares will be issued at the NAV per Share on the applicable Valuation Date. Each class of Shares will have a different NAV per Share due to different management fees applicable to each Class. See “Description of Share Capital”.

However, when the Shares are subscribed for during the course of a fiscal year (“**Interim Purchases**”) or at the beginning of the fiscal year when there is a loss carryover, certain adjustments to the amount of money paid for the purchase of Shares are necessary. This is done so that (i) the Performance Amounts (as defined below) are charged only to those Shares which have appreciated in value since their acquisition, (ii) all the holders of Shares (“**Shareholders**”) will have the same amount per Share at risk and (iii) all Shares will have the same net asset value. A specific description of the manner in which these adjustments shall be made is set forth in Appendix A hereto.

**The Shares** An investment in the Fund is represented by Shares, each of which represents an equal undivided beneficial interest in the net assets of the Fund.

The Shares of each class have equal rights and privileges. Shareholders are not entitled to vote except for meetings at which a Shareholder Matter is to be voted upon. In such circumstances, each Share is entitled to one vote at meetings of Shareholders. See “Description of Share Capital”.

If a Shareholder ceases to be eligible to hold Class D Shares, Class J Shares or Class L Shares, the Manager may, in its sole discretion, exchange such Shareholder’s Class D Shares, Class J Shares or Class L Shares, as applicable, for Class A Shares at the next Valuation Date, unless such Shareholder notifies the Fund during the notice period and the Manager agrees that the Shareholder is once again eligible to hold Class D Shares, Class J Shares or Class L Shares, as applicable.

**Minimum Subscription:** The minimum initial investment for “accredited investors” is \$150,000 for Class A Shares and Class D Shares, \$3,000,000 for Class J Shares and \$2,000,000 for Class L Shares. See “Distribution of Shares”.

**Valuation Dates:** The Net Asset Value of the Fund will be calculated on each Valuation Date. A “**Business Day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the Toronto Stock Exchange (the “**TSX**”) is not open for trading. See “Valuation, Total Assets and Net Asset Value”.

**Purchases:** Subscription forms and cleared funds received at least five Business Days prior to the end of a month will be accepted on the Valuation Date in such month. Subscriptions received after that time will be accepted on the next Valuation Date. Shares will be deemed to be issued on the next Business Day based on the NAV per Share on such Valuation Date. See “Distribution of Shares – Subscription Procedure”.

**Investment Objective and Strategies of the Fund:** The investment objective of the Fund is to provide investors with long-term capital growth through investing its funds in a portfolio (the “**Portfolio**”) of North American, and principally Canadian, securities of primarily small capitalization companies. See “Investment Objective and Strategy of the Fund”.

The Fund will seek to earn returns through its investment strategies, which include: (i) market neutral investing in long and short positions and (ii) investing in securities of issuers in special situations, including event-driven situations such as corporate restructurings, mergers, hostile takeovers, bankruptcies or leveraged buyouts. Although the Fund is not limited as to the nature of the investments, the Manager intends to make investments in accordance with the investment guidelines set out under “Investment Objective of the Fund”.

**The Manager:** AlphaNorth Asset Management, a partnership formed under the laws of the Province of Ontario, is the investment fund manager and portfolio manager of the Fund. The Manager was formed for the purpose of creating, marketing and managing a series of investment funds directed at retail, high net worth and institutional investors.

The Manager is responsible for the management and control of the business and affairs of the Fund on a day-to-day basis. The Manager will be responsible for acquiring the Portfolio of the Fund on behalf of the Fund. See “Management of the Fund - The Manager of the Fund”.

**Portfolio Manager’s Experience:** Prior to September 2007, Mr. Steve Palmer acted as Vice President – Canadian Equities at a major global financial institution providing both investment strategy and stock selection for large and small cap portfolios for nine years. Mr. Palmer managed a pooled fund focussing on small capitalization companies from inception to August 2007 achieving returns that were ranked #1 in performance by a major fund ranking service in their small cap pooled fund category.

**Retractions:** A holder of Shares (a “**Shareholder**”) may surrender Shares for retraction on each Valuation Date, upon giving notice in writing to the Manager or to the Shareholder’s dealer or broker who is a participant in FundSERV, at least 90 days prior to the Valuation Date on which the retraction is to be made (the “**Retraction Date**”), subject to the Fund’s right to suspend retractions in certain circumstances. Retraction requests may be accepted less than 90 days prior to the Valuation Date in the sole discretion of the Manager. A Shareholder who surrenders a Share for retraction will be entitled to receive an amount equal to (a) the NAV per Share determined as of the Retraction Date plus (b) all or a portion of the Equalization Factor to the extent that the increase in value of the Shares that caused the payment of the Equalization Factor has not been lost or has not been paid previously to the retracting Shareholder, less (c) any costs of funding the retraction, including the Early Redemption Fee, any brokerage fees and commissions (the “**Retraction Price**”), and will receive payment on or before the tenth Business Day following the Retraction Date.

Class D Shares, Class J Shares or Class L Shares that have been held for less than two years may be surrendered for retraction upon the same terms, subject to an early redemption fee (the “**Early Redemption Fee**”) equal to (a) 3% of the aggregate Net Asset Value of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for 12 months or less and (b) 1.5% of the aggregate Net Asset Value per Share of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for more than 12 months but less than 24 months. The Early Redemption Fee is payable to the Manager and may be waived in its sole discretion. See “Retraction of Shares”.

**Redemptions:** Shares may be redeemed by the Fund at any time on not less than 30 days’ notice at a price per Share equal to (a) the NAV per Share determined as of the date scheduled for redemption plus (b) all or a portion of the Equalization to the extent that the increase in value of the Shares that caused the payment of the Equalization Factor has not been lost or has not been paid previously to the affected Shareholder, less (c) any costs of funding the redemption, including any brokerage fees and commissions. See “Description of Share Capital – Certain Provisions of the Shares”.

- Dividends:** The holders of the Shares are entitled to receive distributions in the nature of dividends if, as and when declared by the board of directors of the Fund.. See “Dividends and Distributions” and “Canadian Federal Income Tax Considerations—Tax Treatment of Holders of Shares”.
- No Share Certificates:** The Shares will be issued in registered, book-entry form only. Share certificates will not be issued.
- Transfer or Resale:** The Shares may only be transferred with the consent of the Manager and transfers will generally not be permitted. The transfer or resale of Shares (which does not include a retraction or redemption of Shares) is also subject to restrictions under applicable securities legislation. See “Resale Restrictions”.
- Fiscal Year End:** December 31.
- Financial Reporting:** Audited financial statements of the Fund will be provided within 90 days of each fiscal year end. Unaudited financial information respecting the NAV per Share will be provided within 60 days of the end of each calendar quarter. See “Shareholder Matters—Information and Reports to Shareholders”.
- Risk Factors:** Investors should consider a number of factors in assessing the risks associated with investing in Shares including those generally associated with the investment strategies used by the Manager and certain tax matters. See “Risk Factors”.
- Counsel:** **Canadian:** Stikeman Elliott LLP, Toronto, Ontario
- Cayman Islands:** Maples and Calder, Cayman Islands
- Auditor:** KPMG LLP, Toronto, Ontario

#### **Canadian Federal Income Tax Considerations**

- Taxation of the Fund:** The Fund currently qualifies as a “mutual fund corporation” as defined in the Tax Act. As a mutual fund corporation, the Fund is entitled to capital gains refunds in respect of (i) capital gains dividends paid by it; and (ii) qualifying retractions to the extent that the Fund has paid or is liable to pay Canadian federal income tax on its taxable capital gains. As a result thereof, and of the deduction of expenses in computing its taxable income, the Fund should not be subject to any material net Canadian income tax liability.
- Taxation of Shareholders:** Returns of capital distributed by the Fund to Shareholders will generally not be subject to tax but will reduce the adjusted cost base of the Shares to the Shareholder. Dividends other than capital gains dividends received by individuals on the Shares will be subject to the normal gross-up and dividend tax credit rules for dividends received from taxable Canadian corporations. An enhanced dividend tax credit will be available in respect of “eligible dividends” that are designated by the Fund. Ordinary dividends received by corporations (other than specified financial institutions) on the Shares will generally be deductible in computing taxable income. Ordinary Dividends received by private corporations (and certain other corporations) on the Shares will be subject to a refundable tax under Part IV of the Tax Act. The amount of any capital gains dividend received by a Shareholder will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the capital gains dividend is received. A disposition of a Share held as capital property may result in a capital gain or a capital loss to the Shareholder thereof. A retraction or redemption of Shares is considered to be a disposition for these purposes.

### Summary of Fees, Expenses and Manager's Interest

The following table contains a summary of the fees and expenses payable by the Fund. For further information, see "Fees, Expenses and Manager's Interest".

<u>Type of Charge</u>	<u>Description of Charge</u>
<b>Management Fees:</b>	As compensation for its management services, the Manager will receive an annual management fee from the Fund in the amount equal to that percent per annum of the Net Asset Value attributable to the applicable Class of Shares set out below:

<u>Class</u>	<u>Management Fee</u>
Class A Shares	2.0%
Class D Shares	2.5%
Class J Shares	1.5%

Management fees are calculated and payable on each Valuation Date in arrears, plus applicable taxes. The management fee may be paid in cash or Shares at the option of the Manager. To the extent that Shares are issued from treasury for this purpose, they will be issued at the NAV per Share on the payment date. The Management fees for Class L Shares are negotiable.

See "Fees, Expenses and Manager's Interest".

<b>Expenses:</b>	The Manager is entitled to reimbursement from the Fund for all costs and operating expenses (the " <b>Operating Expenses</b> ") incurred in connection with the business of the Fund, including but not limited to:
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(i) administrative fees and expenses, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, the cost of maintaining the Fund's existence and regulatory fees and expenses, the cost of consulting, research, organizational costs, distribution costs, regulatory filing fees, audit fees and all reasonable extraordinary or non-recurring expenses which are directly related to the maintenance and management of the Fund; and

(ii) fees and expenses relating to the portfolio investments of the Fund, including the cost of securities, interest on borrowings and commitment fees and related expenses payable to lenders and counterparties, brokerage fees, commissions and expenses, banking fees, interest expenses and taxes of all kinds to which the Fund is subject.

Each class of Shares bears its own expenses and its share of the Fund's operating expenses that are specific to each class of Shares. Expenses that are specific to each class of Shares include filing fees, management fees, Performance Amount and Shareholder servicing costs. Fees and expenses that are allocable to a particular class of Shares are allocated to that class in computing its NAV per Share. Common fees and expenses such as legal fees, custodian fees, audit fees and certain other costs as described below, will be allocated proportionately amongst all classes in the discretion of the Manager.

See "Fees, Expenses and Manager's Interest".

<b>Manager's Interest:</b>	The Manager's ownership interest in the Fund will increase in value each fiscal year based on the Performance Amounts.
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The performance amount for each Class A Share (the "**Class A Performance Amount**"), Class D Share (the "**Class D Performance Amount**"), Class J Share (the "**Class J Performance Amount**") or Class L Share (the "**Class L Performance Amount**") in respect of a fiscal year is equal to 20% of the amount by which the NAV per Class A Share, Class D Share, Class J Share or Class L Share as applicable, at the end of such fiscal year (plus the aggregate amount of all distributions declared on such Class A Share, Class D Share, Class J Share or Class L Share during such fiscal year) exceeds the highest year end NAV per Share previously achieved (the "**High Water Mark**"). The High Water Mark for the first fiscal year end following an investor's subscription for Class A Shares, Class D

Shares, Class J Shares or Class L Shares will be the initial subscription NAV per Share paid by the Investor. In calculating the Performance Amounts, the NAV per Share is calculated without giving effect to the accrual of any Performance Amount.

The Manager owns 10,000 convertible Class B Shares. The number of Class A Shares that the Manager may receive on conversion of its Class B Shares is based on a conversion multiplier (the “**Class B Conversion Multiplier**”) that will increase based on the Class A Performance Amount, the Class D Performance Amount, Class J Performance Amount and the Class L Performance Amount. The initial Class B Conversion Multiplier is 0.001. Based on this initial conversion multiplier of 0.001, the Manager would receive 10 Class A Shares upon the conversion of its 10,000 Class B Shares.

The Class B Conversion Multiplier is adjusted as of the last Business Day of each fiscal year, and for redemptions and retractions, provided that the NAV per Class A Share, Class D Share, Class J Share and Class L Share at the end of such fiscal year exceeds the respective High Water Mark. The Class A Performance Amount, the Class D Performance Amount, the Class J Performance Amount and the Class L Performance Amount in respect of any fiscal year (and the related adjustment to the Class B Conversion Multiplier) is limited such that the NAV per Class A Share, Class D Share, Class J Share and Class L Share after giving effect to the increase of the Class B Conversion Multiplier, may not be less than the High Water Mark.

See “Fees, Expenses and Manager’s Interest”.

**Sales Commission:** There is no commission payable to the Manager in respect of Shares purchased directly by a subscriber. A subscriber may pay a negotiated fee if purchasing through a dealer.

**Service Fee on Class D Shares:** The Manager will, out of its management fee, pay to registered dealers a servicing fee (the “**Service Fee**”) equal to 1% annually of the Net Asset Value attributable to the Class D Shares, plus applicable taxes. The Manager will pay the Service Fee to brokers based on the number of Class D Shares held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class A Shares, Class J Shares or Class L Shares.

**Early Redemption Fee:** Class D Shares, Class J Shares or Class L Shares that have been held for less than two years may be surrendered for retraction upon the same terms, subject to an early redemption fee (the “**Early Redemption Fee**”) equal to (a) 3% of the aggregate Net Asset Value of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for 12 months or less and (b) 1.5% of the aggregate Net Asset Value per Share of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for more than 12 months but less than 24 months. The Early Redemption Fee is payable to the Manager and may be waived in its sole discretion. See “Retraction of Shares”

**Management Fee Rebate or Waiver:** The Manager may agree to rebate or waive a portion of the management fee that it receives from the Fund related to the Fund or a shareholder with respect to the shareholder’s investment in the Fund related to the Fund.

#### ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel for the Fund, provided that the Fund is a public corporation within the meaning of the Tax Act, the Shares will be qualified investment for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans, tax-free savings accounts (“**TFSAs**”) or registered disability savings plans for purposes of the Tax Act.

Notwithstanding the foregoing, if the Shares are a “prohibited investment” for a TFSA, RRSP, or RRIF, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Shares will not be a “prohibited investment” provided that the holder or annuitant, as the case may be: (i) deals at arm’s length with the Fund, (ii) does not have a “significant interest” in the Fund (within the meaning of the Tax Act) and (iii) does not have a “significant interest” (within the meaning of the Tax Act) in a corporation, partnership or trust that does not deal at arm’s length with the Fund. Tax Proposals released on December 21, 2012 (the “**December 2012 Proposals**”) propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Shares will generally not be a “prohibited investment” if the Shares are “excluded property” as defined in the December 2012 Proposals for TFSAs, RRSPs, or RRIFs.

## THE FUND

AlphaNorth Partners Fund Inc. was incorporated under the laws of the Province of Ontario on October 23, 2007. Its articles were amended on January 2, 2015 to reflect a capital reorganization involving, among other transactions, the exchange of Class F Shares of Partners Fund II for Class A Shares of the Fund, the exchange of Class G Shares of Partners Fund II for Class D Shares of the Fund, the exchange of Class K Shares for Class A Shares and Class D Shares of the Fund, as applicable, and the redesignation of Class J Shares of Partners Fund II as Class J Shares of the Fund. The Manager also exchanged its Class H Shares of Partners Fund II for Class B Shares of the Fund. The Class F, Class G, Class H and Class K Shares were subsequently deleted from the articles of AlphaNorth Partners Fund Inc. On August 30, 2016, its articles were amended to reflect the addition of Class L Shares. AlphaNorth Asset Management, a partnership formed under the laws of the Province of Ontario, is the manager of the Fund. The principal place of business of the Fund and of the Manager is 333 Bay Street, Suite 630, Toronto, Ontario. The fiscal year of the Fund ends on December 31 in each calendar year.

### Status of the Fund

Although the Fund is a “mutual fund” as defined in the securities legislation applicable in certain provinces, it does not operate in accordance with the requirements of National Instrument 81-102 and other policies and regulations of the securities regulatory authorities that are applicable to mutual funds that have offered securities under a prospectus and are “reporting issuers”.

### INVESTMENT OBJECTIVE AND STRATEGY OF THE FUND

The investment objective of the Fund is to provide investors with long-term capital growth through superior selection of North American, and principally Canadian, securities of small capitalization companies. The Fund will seek to earn returns through its investment strategies, which include: (i) market neutral investing in long and short positions and (ii) investing in securities of issuers in special situations, including event-driven situations such as corporate restructurings, mergers, hostile takeovers, bankruptcies or leveraged buyouts.

### INVESTMENT GUIDELINES OF THE FUND

The following section “Investment Restrictions of the Fund, together with the section “Investment Objectives and Strategy of the Fund, are referred to collectively in this Offering Memorandum as the “Investment Guidelines” concerning the Fund.

#### Investment Restrictions of the Fund

The investment activities of the Fund are to be conducted in accordance with, among other things, the following investment restrictions:

- (a) **No “taxable Canadian property”.** The Fund will not acquire an investment that is “taxable Canadian property” for the purposes of the Tax Act;
- (b) **Mutual Fund Status.** The Fund will manage its investments and affairs to ensure that it will be a “mutual fund corporation” for purposes of the Tax Act; and
- (c) **Other Investments.** The Fund may hold cash, and it may invest excess cash in cash equivalents. The Fund may also hold U.S. debt obligations as collateral pursuant to its securities lending arrangements. See “Securities Lending”.

The Manager will be responsible for execution of the investment strategy, which includes acquiring the portfolio (the “Portfolio”) of North American, and principally Canadian, securities of small capitalization companies. The Fund may engage in securities lending as described below under “Securities Lending”. Except as set forth hereunder, the Fund will not invest in any other securities or assets.

### **Portfolio Transactions**

The Manager is responsible for placing orders to effect portfolio transactions on behalf of the Fund. These orders are allocated by the Manager to the broker offering the volumes and the prices deemed most advantageous to the Fund. Where no particular advantage with respect to price or execution is available and it is in the best interests of the Fund to do so, orders may be placed through brokers who, in the opinion of the Manager, provide or assist in the provision of decision-making services. Investment decision-making services include the provision of advice, valuations, research and related databases or software.

### **THE PORTFOLIO**

The investment objective of the Fund is long-term capital growth through superior selection of North American, and principally Canadian, securities of primarily small capitalization companies. The Fund will be actively managed by the Manager. The Manager will select, monitor and manage the Portfolio subject to the investment strategies and guidelines as set out below and as set forth in the management agreement between the Fund and the Manager (the “**Management Agreement**”) described below.

### **Investment Strategies**

The Fund will seek to earn returns through the investment strategies set forth in the Management Agreement and not being limited to strategies as described below.

1. *Managing Long/Short Positions.* The Manager will manage the relative weightings of the Portfolio’s long and short positions to achieve the investment objective of the Fund. The Fund’s net market exposure will depend on, among other things, the Manager’s view of domestic and international economic and market trends. The total value of the Fund’s short positions at any time will not exceed the total value of the Fund’s long positions.
2. *Special Situations.* The Manager may invest in securities of issuers in special situations, including event-driven situations such as corporate restructurings, mergers, hostile takeovers, bankruptcies or leveraged buyouts.
3. *Short Selling Overvalued Securities.* The Manager will engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These will include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets.
4. *Pairs Trading.* The Manager will also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Manager will make such a “pairs trade” when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.
5. *Convertible Arbitrage.* The Manager may participate in convertible arbitrage situations by purchasing convertible securities of an issuer while short selling the underlying securities into which such convertible securities may be converted. In doing so, the Manager will attempt to take advantage of mispricing between the market price of the convertible securities and the underlying securities.
6. *Merger Arbitrage.* The Manager may participate in merger arbitrage situations by purchasing securities of an issuer that is the target in a proposed merger and selling short the securities of the acquiror. Where the consideration offered to the securityholders of the target includes securities of the acquiror, the Fund may be able to take advantage of instances where the target’s securities trade below the announced offer price, reflecting the time value of money and the possibility that the transaction may not be completed.

### **Investment Guidelines**

The Fund is not limited as to the nature of its investments. Without in any way limiting its mandate, the Manager currently intends to make investments according to the following guidelines:

1. *Sole Undertaking.* The Fund will not engage in any undertaking other than the investment of the Fund's assets in accordance with its investment objective and investment strategies.
2. *Cash.* The amount of cash and cash equivalents held by the Fund will fluctuate and may at times be significant.
3. *Debt Securities.* The Fund may invest in corporate debt and high yield debt securities.
4. *No Negative Net Market Exposure on Short Positions.* The proportion of long positions versus short positions will be a function of the Manager's ability to find attractive situations and the strategy being employed. In any event, the aggregate market exposure of the Fund's short positions will not, at any time, exceed the total value of the Fund's long positions, such that the Fund's net market exposure will not be less than zero.
5. *Distressed Situations.* The Fund may invest in the securities of issuers in special situations.
6. *Indebtedness and Other Leverage.* The Manager may borrow funds to purchase securities to enhance returns. In absolute terms, the ratio of total unhedged dollars invested (defined below) to total dollars of net equity will not exceed a ratio of 2:1. Leverage can also come in the form of purchasing securities on margin and short sales, which involve borrowed securities. For purposes of these investment guidelines, "unhedged dollars invested" means the unhedged value at risk represented by the price difference between a long position that is hedged by a corresponding short position in the securities of the same or a different issuer. The determination of whether a securities position is hedged and the necessary margin requirements will be determined in accordance with the requirements of the Fund's prime brokerage accounts and, as applicable, regulations set out by the Investment Industry Regulatory Organization of Canada and/or the Office of the Superintendent of Financial Institutions (Canada).
7. *Concentration.* The Fund will acquire no more than 15% of the outstanding securities of any one issuer at the time of purchase. Position sizes in any one issuer will be limited to a maximum of 15% of the Fund's equity at the time of purchase. In the case of convertible hedges, the net debt balance in any one issuer will be limited to a maximum of 15% of the Fund's equity at the time of purchase.
8. *Issuer Diversification.* At no time may more than 25% of the Fund's total assets consist of bonds, securities or shares in the capital stock of any one issuer or debtor other than Her Majesty in right of Canada or a province or a Canadian municipality.
9. *Illiquid Investments.* The Fund may not invest more than 50% of its total assets in securities of issuers whose securities cannot be readily disposed of through market facilities on which public quotations in common use are widely available.

#### **Use of Other Derivative Instruments**

In addition to writing covered and uncovered call options and cash covered and uncovered put options, to the extent permitted by Canadian securities regulators from time to time, the Fund may also purchase call options and put options with the effect of closing out existing call options and put options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market prices of the individual securities in the Portfolio or in the value of the Portfolio, as a whole. The Fund may enter into trades to close out positions in such permitted derivatives.

#### **Securities Lending**

The Fund may, consistent with its investment strategy and subject to the Portfolio Investment Restrictions, lend securities to borrowers acceptable to the Manager pursuant to the terms of a securities lending agreement between the Fund and such borrower (a "**Securities Lending Agreement**"). Under a Securities Lending Agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Fund will receive collateral security consisting of cash in Canadian dollars, Canadian or U.S. dollar debt obligations of, or guaranteed by, the Government of Canada, a province of Canada, the United States or one of the states of the United States, or such other collateral as shall be agreed upon. All such arrangements shall be attributed to the Fund and not to other funds of the Fund.

**MANAGEMENT OF THE FUND**

**Directors and Officers of the Fund**

The following are the names, municipalities of residence, offices and principal occupations of the directors and officers of the Fund.

<u>Name and Municipality of Residence</u>	<u>Position with Fund</u>	<u>Principal Occupation During Last 5 Years</u>
STEVEN PALMER..... Toronto, Ontario	President, Chief Executive Officer and Director	President and CEO, AlphaNorth Asset Management. Previously, Vice President – Canadian Equities at a major global financial institution
JOEY JAVIER..... Toronto, Ontario	Vice President, Secretary and Director	Vice President, Secretary, AlphaNorth Asset Management. Until September 2007, Trader at a major global financial institution
KERRY SALSBERG..... Toronto, Ontario	Director	Optometrist

**Kerry Salsberg** HBSc, O.D. Graduated from the University of Waterloo School of Optometry in 1994. Dr. Salsberg currently operates a multi-doctor private practice in Toronto. Dr. Salsberg is co-founder and president of 3Conx Corp., a software Fund specializing in CRM solutions for medical specialties. In 2007, Dr. Salsberg co-founded a marketing Fund that develops and manages narrowcasting networks for medical waiting rooms.

Biographical information on each of the other officers and directors of the Fund is set forth below. See “Directors and Officers of the Manager” below.

**The Manager of the Fund**

The Manager is a private, Toronto-based, investment firm. The team primarily responsible for the management of the Fund is comprised of two employees of the Manager who have significant experience in the investment industry: Steven Palmer and Joey Javier, each of whom is described below have worked together as a team since 1998.

**Steven Palmer** is the President, Chief Executive Officer and a director of the Manager. Mr. Palmer has been in the investment business since 1995. Most recently, from July 1998 to August 2007 he was employed at one of the world’s largest financial institutions as Vice President – Canadian Equities where he managed the Canadian equity assets of approximately \$350 million. Mr. Palmer managed a pooled fund which focussed on small capitalization companies from inception in August 1998 to August 2007 achieving returns that were ranked #1 in performance by a major fund ranking service in their small cap pooled fund category (35.8% over 9 years as compared to 10.0% for S&P/TSX Composite Index and 13.0% for the BMO Weighted Small Cap Total Return Index) over the same period. Mr. Palmer also managed a large cap fund which ranked in the first quartile for the following time periods: 1 year, 2 year, 3 year, 4 year, 5 year and 10 year.

Prior to this, from September 1997 to July 1998 Mr. Palmer was employed as a Portfolio Manager at a high net worth investment boutique. Mr. Palmer started his career in January 1995 as a Research Associate and progressed to Research Analyst. Mr. Palmer has a BA in Economics from the University of Western Ontario and is a Chartered Financial Analyst.

**Joey Javier** is Vice President, Secretary and a director of the Manager. Mr. Javier started his career in the investment industry as a Systems Analyst before becoming an Equity Trader in September 1997 and later an Equity Trader / Assistant Portfolio Manager for one of the world’s largest financial institutions. Mr. Javier was responsible for all equity and money market trading as well as back-up for the fixed income portfolio manager. Mr. Javier has a BA in Economics from York University and is a Chartered Investment Manager.

### Directors and Officers of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each director and officer are set out below:

<u>Name and Municipality of Residence</u>	<u>Position with Manager</u>	<u>Principal Occupation During Last 5 Years</u>
STEVEN PALMER ..... Toronto, Ontario	President and Chief Executive Officer	President and CEO, AlphaNorth Asset Management. Previously, Vice President – Canadian Equities at a major global financial institution
JOEY JAVIER ..... Toronto, Ontario	Vice President and Secretary	Vice President, Secretary, AlphaNorth Asset Management. Until September 2007, Trader at a major global financial institution
KEN CHOI ..... Toronto, Ontario	Chief Financial and Compliance Officer	Chief Financial and Compliance Officer of AlphaNorth; Fund Controller and Manager at a global fund administration Fund (from 2008 to 2011); Senior Auditor at Deloitte & Touche LLP (from 2004 to 2007)

### The Management Agreement

The Manager has been retained as the investment fund manager and portfolio manager of the Fund pursuant to the Management Agreement between the Fund and the Manager. As such, the Manager is responsible for providing or arranging for investment management and administrative services required by the Fund including, without limitation, authorizing the payment of all fees and operating expenses, preparing financial statements, income tax returns, financial and accounting information as required, ensuring that Shareholders are provided with financial statements (including unaudited interim and audited annual financial statements) and other reports and continuous disclosure materials, ensuring that the Fund complies with regulatory requirements, preparing the reports of the Fund to securityholders and the Canadian securities regulatory authorities, determining the amount of distributions to be paid by the Fund, retaining and negotiating contractual agreements with third party providers of services, including advisors, registrars, transfer agents, auditor and printers.

The Manager will also provide investment management and investment advisory services to the Fund, which will include making all investment decisions for the Fund.

The Manager is required to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the assets held by the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability in cases of wilful misconduct, bad faith, negligence or disregard of its duties or standard of care, diligence and skill.

The Manager may resign as Manager of the Fund upon 60 days notice to the Fund. The appointment of a successor manager requires the approval of a simple majority of the shareholders of the Fund unless it is an affiliate of the resigning manager, in which case no notice or approval of such shareholders is required. If the Manager commits certain events of bankruptcy or insolvency then the Manager shall be terminated immediately or if the Manager is in material breach or default of its obligations as Manager under the Management Agreement and such breach or default has not been cured within 20 Business Days, the shareholders may by way of a resolution passed by the affirmative vote of 66 <sup>2</sup>/<sub>3</sub>% of the votes cast, either in person or by proxy, at a meeting of shareholders called for the purpose of approving such resolution (an “**Extraordinary Resolution**”) remove the Manager and appoint a successor manager. The Manager and its affiliates shall not be entitled to vote any shares then held at any meeting called to remove the Manager. The Manager will be terminated immediately upon the dissolution of the Fund pursuant to the provisions of the Management Agreement. Except as described above, the Manager cannot be terminated as manager and investment manager of the Fund.

The Manager is entitled to fees for its services from the Fund as described under “Fees, Expenses and Manager’s Interest” and will be reimbursed for reasonable costs and expenses incurred by it in performing its duties. The Manager, and not the Fund, will pay fees for any investment advisory and investment management services provided by a third party to the Fund. In addition, the Manager and each of its directors, officers, employees, shareholders, representatives and agents will be indemnified and saved harmless by the Fund from and against all liabilities and expenses (including all legal fees, judgements

and amounts paid in settlement), reasonably incurred by the Manager or any of its officers, directors, employees, shareholders, representative or agents in the exercise of its duties, unless those liabilities and expenses were incurred as a result of wilful misconduct, bad faith, negligence or a breach by the Manager of the standard of care described above.

The management services of the Manager are not exclusive and nothing in either Management Agreement prevents the Manager or any of its affiliates from providing similar management services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities.

## **FEES, EXPENSES AND MANAGER'S INTEREST**

### **Management Fees**

As compensation for its management services, the Manager will receive an annual management fee from the Fund in the amount equal to that percent per annum of the Net Asset Value attributable to the applicable Class of Shares set out below:

<b><u>Class</u></b>	<b><u>Management Fee</u></b>
Class A Shares	2.0%
Class D Shares	2.5%
Class J Shares	1.5%

Management fees are calculated and payable on each Valuation Date in arrears, plus applicable taxes. The management fee may be paid in cash or Shares at the option of the Manager. To the extent that Shares are issued from treasury for this purpose, they will be issued at the NAV per Share on the payment date. The Manager may agree to rebate or waive a portion of the management fee that it receives from the Fund related to the Fund or a shareholder with respect to the shareholder's investment in the Fund related to the Fund. The Management fee for Class L Shares are negotiable.

### **Expenses**

Each class of Shares bears its own expenses and its share of the Fund's operating expenses that are specific to each class of Shares. Expenses that are specific to each class of Shares include filing fees, management fee and Shareholder servicing costs. Fees and expenses that are allocable to a particular class of Shares are allocated to that class in computing its NAV per Share. Common fees and expenses such as legal fees, custodian fees, audit fees and certain other costs as described below will be allocated proportionately amongst all classes in the discretion of the Manager. Such expenses will generally be allocated to each class of Shares *pro rata* based on the Net Asset Value of the Fund attributable to each Class of Shares.

The Fund shall be liable for, and the Manager shall be entitled to reimbursement from the Fund for, all costs and operating expenses actually incurred in connection with the business of the Fund, including but not limited to:

- (a) administrative fees and expenses, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, the cost of maintaining the Fund's existence and regulatory fees and expenses, the cost of consulting, research, organizational costs, distribution costs, regulatory filing fees, audit fees and all reasonable extraordinary or non-recurring expenses which are directly related to the maintenance and management of the Fund; and
- (b) fees and expenses relating to the Fund's portfolio investments, including the cost of securities, interest on borrowings and commitment fees and related expenses payable to lenders and counterparties, brokerage fees, commissions and expenses, banking fees, interest expenses and taxes of all kinds to which the Fund are subject.

The Manager may from time to time waive any portion of the fees and reimbursement of expenses otherwise payable to it, but no such waiver affects its right to receive fees and reimbursement of expenses subsequently accruing to it.

### Manager's Interest

The Manager's ownership interest in the Fund will increase in value each fiscal year based on the Performance Amounts.

The performance amount for each Class A Share (the "**Class A Performance Amount**") or Class D Share (the "**Class D Performance Amount**") or Class J Share (the "**Class J Performance Amount**") or Class L Share (the "**Class L Performance Amount**") in respect of a fiscal year is equal to 20% of the amount by which the NAV per Class A Share, Class D Share, Class J Share or Class L Share as applicable, at the end of such fiscal year (plus the aggregate amount of all distributions declared on such Class A Share, Class D Share, Class J Share or Class L Share during such fiscal year) exceeds the highest year end NAV per Share previously achieved (the "**High Water Mark**"). The High Water Mark for the first fiscal year end after an investor acquires a Class A Share, a Class D Share, Class J Share or a Class L Share will be the NAV per Share paid by the investor for that Class A Share, Class D Share, Class J Share or Class L Share as applicable. In calculating the Performance Amounts, the NAV per Share is calculated without giving effect to the accrual of any Performance Amount.

The Manager owns 10,000 convertible Class B Shares. The number of Class A Shares that the Manager may receive on conversion of its Class B Shares is based on a conversion multiplier (the "**Class B Conversion Multiplier**") that will increase based on the Class A Performance Amount, the Class D Performance Amount, the Class J Performance Amount and the Class L Performance Amount. The initial Class B Conversion Multiplier is 0.001. Based on this initial conversion multiplier of 0.001, the Manager would receive 10 Class A Shares upon the conversion of its 10,000 Class B Shares.

The Class B Conversion Multiplier is adjusted as of the last Business Day of each fiscal year, and for redemptions and retractions, provided that the NAV per Class A Share, Class D Share, Class J Share and Class L Share at the end of such fiscal year exceeds the respective High Water Mark. The Class A Performance Amount, Class D Performance Amount, Class J Performance Amount and Class L Performance Amount in respect of any fiscal year (and the related adjustment to the Class B Conversion Multiplier) is limited such that the NAV per Class A Share, Class D Share, Class J Share or Class L Share, after giving effect to the increase of the Class B Conversion Multiplier, may not be less than the respective High Water Mark.

The Class B Conversion Multiplier is increased in the following manner:

$$\text{Adjusted Conversion Multiplier} = A + B + C + D + E$$

where

$$A = \frac{\text{Aggregate Performance Amount of each Class A Share} / \text{NAV per Class A Share}}{\text{Number of Class B Shares outstanding}}$$

$$B = \frac{\text{Aggregate Performance Amount of each Class D Share} / \text{NAV per Class D Share}}{\text{Number of Class B Shares outstanding}}$$

$$C = \frac{\text{Aggregate Performance Amount of each Class J Share} / \text{NAV per Class J Share}}{\text{Number of Class B Shares outstanding}}$$

$$D = \frac{\text{Aggregate Performance Amount of each Class L Share / NAV per Class L Share}}{\text{Number of Class B Shares outstanding}}$$

E = the Class B Conversion Multiplier from preceding fiscal year

### **Sales Commission**

There is no commission payable to the Manager in respect of Shares purchased directly by a subscriber. A subscriber may pay a negotiated fee if purchasing through a dealer. Any minimum subscription amounts are net of such fees.

### **Service Fee on Class D Shares**

The Manager will, out of its management fee, pay to registered dealers a servicing fee (the “**Service Fee**”) equal to 1% annually of the Net Asset Value attributable to the Class D Shares, plus applicable taxes. The Manager will pay the Service Fee to brokers based on the number of Class D Shares held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class A Shares, Class J Shares or Class L Shares.

### **Early Redemption Fee**

Class D Shares, Class J Shares or Class L Shares that have been held for less than two years may be surrendered for retraction upon the same terms, subject to an early redemption fee (the “**Early Redemption Fee**”) equal to (a) 3% of the aggregate Net Asset Value of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for 12 months or less and (b) 1.5% of the aggregate Net Asset Value per Share of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for more than 12 months but less than 24 months. The Early Redemption Fee is payable to the Manager and may be waived in its sole discretion. See “Retraction of Shares”

### **Use of “Soft Dollar” Brokerage Arrangements**

The Manager will consider a number of factors in selecting a registered broker to effect securities transactions on behalf of the Fund. These factors include the quality of service, value of the investment ideas given by the broker, the reliability and reputation of the broker as well as the ability of the broker to complete a given transaction.

From time to time, the Manager will direct commissions (“**soft dollar transactions**”) generated by a brokerage transaction towards a third party in exchange for goods or services that are for the benefit of the Fund and its clients. Such goods or services are used to assist with investment or trading decisions or with effecting securities transactions. In order to ensure that the Fund receives proper value for the goods or services, both the registered broker and the Manager will maintain an accounting of commissions. A portion of the commission dollars may be re-directed to a third party for a service that provides a substantial benefit to the Fund. In all instances, the Manager will make a good faith determination to ensure that the Fund receives a reasonable benefit in so directing brokerage transactions and in doing so, the Manager will consider both the use and benefits of the goods or services and the amount of the client brokerage commissions paid for these services. The type of goods or services that might be provided includes trading execution and/or research goods and services for the benefit of the Fund and its clients.

The Fund currently participates in two soft dollar brokerage arrangements with registered brokers. The services provided to the Fund pursuant to the soft dollar arrangement are: Bloomberg service for two (2) terminals and the associated connection and usage fees for each of the Indices to which the Manager requires access, and licensing of trade order management software. The services are used by the Manager in order to properly manage the Fund, analyse investments and effect timely trades. The contract that the Fund has with each registered broker is industry standard.

### DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Fund consists of (i) an unlimited number of redeemable, retractable, non-voting, participating shares of four classes, Class A shares (“**Class A Shares**”), Class D shares (“**Class D Shares**”), Class J Shares (“**Class J Shares**”) and Class L shares (“**Class L Shares**”); (ii) an unlimited number of redeemable, retractable, convertible, voting, non-participating Class B shares (“**Class B Shares**”); and (iii) an unlimited number of redeemable, retractable, voting, non-participating Class C shares (“**Class C Shares**”). The Class A Shares, Class D Shares, Class J Shares and Class L Shares will be issued in registered, book-entry form only. Share certificates will not be issued.

#### **Certain Provisions of the Class A Shares**

##### *Priority*

The Class A Shares shall rank *pari passu* with Class D Shares, Class J Shares and Class L Shares and shall rank in priority to Class B Shares and any other shares of the Fund ranking junior to the Class A Shares, with respect to the payment of dividends and any payments on a return of capital in the event of liquidation, dissolution or winding-up of the Fund, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of the Class A Shares are entitled to a distribution of assets of the Fund for the purpose of winding-up its affairs.

##### *Voting Rights*

Subject to any applicable law, the holders of the Class A Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Fund except for meetings at which a Shareholder Matter is to be voted upon, in respect of which the holders of the Class A Shares shall be entitled to receive notice of, attend and vote thereon, and shall have one vote for each Class A Share held at such shareholder meeting. For greater certainty, the holders of the Class A Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meetings of the shareholders of the Fund in respect of a vote to (a) increase or decrease any maximum number of Class A Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal to the Class A Shares; (b) effect an exchange, reclassification or cancellation of all or part of the Class A Shares; and (c) create a new class of shares equal to the Class A Shares.

The holders of the Class A Shares shall also be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Fund. For greater certainty, the holders of the Class A Shares shall have no right to vote upon any disposition of the property of the Fund in connection with a redemption or retraction of any of the shares of the Fund or in connection with any other disposition required or permitted by the Articles of the Fund. See “Shareholder Matters – Acts Requiring Shareholder Approval”.

##### *Distributions*

The holders of the Class A Shares shall be entitled to receive distributions in the nature of dividends if, as and when declared by the board of directors of the Fund, out of the assets of the Fund properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors of the Fund may from time to time declare on the Class A Shares, in its absolute discretion. Subject to the rights of the holders of the Class D Shares, Class J Shares and Class L Shares entitled to receive dividends concurrently with the holders of the Class A Shares, the board of directors of the Fund may, in its sole discretion, declare dividends on the Class A Shares to the exclusion of any other class of shares of the Fund. Class A Share distributions will consist primarily of capital gains dividends, but may also include ordinary dividends and returns of capital.

##### *Retraction*

A holder may surrender Class A Shares for retraction on each Valuation Date, upon giving notice in writing to the Manager as provided below. See “Retraction of Shares”.

##### *Redemption*

The Class A Shares may be redeemed by the Fund at any time on not less than 30 days’ notice at a price per Class A Share equal to (a) the NAV per Class A Share determined as of the date scheduled for redemption plus (b) all or a portion of the Equalization Factor to the extent that the increase in value of the Class A Shares that caused the payment of the Equalization Factor has not been lost or has not been paid previously to the affected Shareholder, less (c) any costs of funding the redemption, including any brokerage fees and commissions.

## **Certain Provisions of the Class D Shares**

### *Priority*

The Class D Shares shall rank pari passu with Class A Shares, Class J Shares and Class L Shares and shall rank in priority to Class B Shares and any other shares of the Fund ranking junior to the Class D Shares, with respect to the payment of dividends and any payments on a return of capital in the event of liquidation, dissolution or winding-up of the Fund, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of the Class D Shares are entitled to a distribution of assets of the Fund for the purpose of winding-up its affairs.

### *Voting Rights*

Subject to any applicable law, the holders of the Class D Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Fund except for meetings at which a Shareholder Matter is to be voted upon, in respect of which the holders of the Class D Shares shall be entitled to receive notice of, attend and vote thereon, and shall have one vote for each Class D Share held at such shareholder meeting. For greater certainty, the holders of the Class D Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meetings of the shareholders of the Fund in respect of a vote to (a) increase or decrease any maximum number of Class D Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal to the Class D Shares; (b) effect an exchange, reclassification or cancellation of all or part of the Class D Shares; and (c) create a new class of shares equal to the Class D Shares.

The holders of the Class D Shares shall also be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Fund. For greater certainty, the holders of the Class D Shares shall have no right to vote upon any disposition of the property of the Fund in connection with a redemption or retraction of any of the shares of the Fund or in connection with any other disposition required or permitted by the Articles of the Fund. See “Shareholder Matters – Acts Requiring Shareholder Approval”.

### *Distributions*

The holders of the Class D Shares shall be entitled to receive distributions in the nature of dividends if, as and when declared by the board of directors of the Fund, out of the assets of the Fund properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors of the Fund may from time to time declare on the Class D Shares, in its absolute discretion. Subject to the rights of the holders of the Class A Shares, Class J Shares and Class L Shares entitled to receive dividends concurrently with the holders of the Class D Shares, the board of directors of the Fund may, in its sole discretion, declare dividends on the Class D Shares to the exclusion of any other class of shares of the Fund. Class D Share distributions will consist primarily of capital gains dividends, but may also include ordinary dividends and returns of capital.

### *Retraction*

A holder may surrender Class D Shares for retraction on each Valuation Date, upon giving notice in writing to the Manager as provided below. See “Retraction of Shares”.

### *Redemption*

The Class D Shares may be redeemed by the Fund at any time on not less than 30 days’ notice at a price per Class D Share equal to (a) the NAV per Class D Share determined as of the date scheduled for redemption plus (b) all or a portion of the Class D Equalization Factor to the extent that the increase in value of the Class D Shares that caused the payment of the Class D Equalization Factor has not been lost or has not been paid previously to the affected Shareholder, less (c) any costs of funding the redemption, including any Early Redemption Fee, brokerage fees and commissions.

## **Certain Provisions of the Class B Shares**

### *Distributions*

The holders of the Class B Shares shall be entitled to receive distributions in the nature of dividends if, as and when declared by the board of directors of the Fund, out of the assets of the Fund properly applicable to the payment of dividends, provided that no dividend shall be declared or paid to the holders of Class B Shares at any time when there are Class A Shares, Class D Shares, Class J Shares and Class L Shares outstanding. Except as required by law, holders of Class B Shares will not be entitled to receive notice of, to attend or to vote at any meeting of Shareholders of the Fund, other than meetings at which a matter requiring the approval of the holders of Class B Shares is held, for which holders of the Class B Shares shall be entitled to

notice, attend and vote thereon, and shall have one vote for each Class B Share held at such Shareholder meeting. See “Shareholder Matters – Acts Requiring Shareholder Approval”. The Class B Shares are retractable at any time at the NAV per Class B Share on the applicable Valuation Date.

The Manager owns all of the issued and outstanding Class B Shares.

#### *Right of Conversion*

The Class B Shares are convertible into Class A Shares at any time at the option of the holder based on the Class B Conversion Multiplier, subject to adjustment in certain events. See “Fees, Expenses and Manager’s Interest”.

#### *Adjustment of Conversion Basis*

In the case of any reclassification or change (other than a change resulting only from consolidation or subdivision) of the Class A Shares or in case of any amalgamation, consolidation or merger of the Fund with or into any other entity, or in the case of any sale, transfer or other disposition of the properties and assets of the Fund as, or substantially as, an entirety to any other entity, the terms of the conversion privilege shall be adjusted so that each Class B Share shall, after such reclassification, change, amalgamation, consolidation, merger or sale, be exercisable for the kind and amount of securities or property of the Fund, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, change, amalgamation, consolidation, merger or sale if on the effective date thereof it had been the holder of the number of Class A Shares into which the Class B Share was convertible prior to the effective date of such reclassification, change, amalgamation, consolidation, merger or sale.

#### **Certain Provisions of the Class J Shares**

##### *Priority*

The Class J Shares shall rank *pari passu* with Class A Shares, Class D Shares and Class L Shares and shall rank in priority to Class B Shares and any other shares of the Fund ranking junior to the Class J Shares, with respect to the payment of dividends and any payments on a return of capital in the event of liquidation, dissolution or winding-up of the Fund, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of the Class J Shares are entitled to a distribution of assets of the Fund for the purpose of winding-up its affairs.

##### *Voting Rights*

Subject to any applicable law, the holders of the Class J Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Fund except for meetings at which a Shareholder Matter is to be voted upon, in respect of which the holders of the Class J Shares shall be entitled to receive notice of, attend and vote thereon, and shall have one vote for each Class J Share held at such shareholder meeting. For greater certainty, the holders of the Class J Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meetings of the shareholders of the Fund in respect of a vote to (a) increase or decrease any maximum number of Class J Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal to the Class J Shares; (b) effect an exchange, reclassification or cancellation of all or part of the Class J Shares; and (c) create a new class of shares equal to the Class J Shares.

The holders of the Class J Shares shall also be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Fund. For greater certainty, the holders of the Class J Shares shall have no right to vote upon any disposition of the property of the Fund in connection with a redemption or retraction of any of the shares of the Fund or in connection with any other disposition required or permitted by the Articles of the Fund. See “Shareholder Matters – Acts Requiring Shareholder Approval”.

##### *Distributions*

The holders of the Class J Shares shall be entitled to receive distributions in the nature of dividends if, as and when declared by the board of directors of the Fund, out of the assets of the Fund properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors of the Fund may from time to time declare on the Class J Shares, in its absolute discretion. Subject to the rights of the holders of the Class A Shares, Class D Shares and Class L Shares entitled to receive dividends concurrently with the holders of the Class J Shares, the board of directors of the Fund may, in its sole discretion, declare dividends on the Class J Shares to the exclusion of any other class of shares of the Fund. Class J Share distributions will consist primarily of capital gains dividends, but may also include ordinary dividends and returns of capital.

#### *Retraction*

A holder may surrender Class J Shares for retraction on each Valuation Date, upon giving notice in writing to the Manager as provided below. See “Retraction of Shares”.

#### *Redemption*

The Class J Shares may be redeemed by the Fund at any time on not less than 30 days’ notice at a price per Class J Share equal to (a) the NAV per Class J Share determined as of the date scheduled for redemption plus (b) all or a portion of the Class J Equalization Factor to the extent that the increase in value of the Class J Shares that caused the payment of the Class J Equalization Factor has not been lost or has not been paid previously to the affected Shareholder, less (c) any costs of funding the redemption, including any Early Redemption Fee, brokerage fees and commissions.

### **Certain Provisions of the Class L Shares**

#### *Priority*

The Class L Shares shall rank pari passu with Class A Shares, Class D Shares and Class J Shares and shall rank in priority to Class B Shares and any other shares of the Fund ranking junior to the Class L Shares, with respect to the payment of dividends and any payments on a return of capital in the event of liquidation, dissolution or winding-up of the Fund, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of the Class L Shares are entitled to a distribution of assets of the Fund for the purpose of winding-up its affairs.

#### *Voting Rights*

Subject to any applicable law, the holders of the Class L Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Fund except for meetings at which a Shareholder Matter is to be voted upon, in respect of which the holders of the Class L Shares shall be entitled to receive notice of, attend and vote thereon, and shall have one vote for each Class L Share held at such shareholder meeting. For greater certainty, the holders of the Class L Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meetings of the shareholders of the Fund in respect of a vote to (a) increase or decrease any maximum number of Class L Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal to the Class L Shares; (b) effect an exchange, reclassification or cancellation of all or part of the Class L Shares; and (c) create a new class of shares equal to the Class L Shares.

The holders of the Class L Shares shall also be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Fund. For greater certainty, the holders of the Class L Shares shall have no right to vote upon any disposition of the property of the Fund in connection with a redemption or retraction of any of the shares of the Fund or in connection with any other disposition required or permitted by the Articles of the Fund. See “Shareholder Matters – Acts Requiring Shareholder Approval”.

#### *Distributions*

The holders of the Class L Shares shall be entitled to receive distributions in the nature of dividends if, as and when declared by the board of directors of the Fund, out of the assets of the Fund properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors of the Fund may from time to time declare on the Class L Shares, in its absolute discretion. Subject to the rights of the holders of the Class A Shares, Class D Shares and Class J Shares entitled to receive dividends concurrently with the holders of the Class L Shares, the board of directors of the Fund may, in its sole discretion, declare dividends on the Class L Shares to the exclusion of any other class of shares of the Fund. Class L Share distributions will consist primarily of capital gains dividends, but may also include ordinary dividends and returns of capital.

#### *Retraction*

A holder may surrender Class L Shares for retraction on each Valuation Date, upon giving notice in writing to the Manager as provided below. See “Retraction of Shares”.

#### *Redemption*

The Class L Shares may be redeemed by the Fund at any time on not less than 30 days’ notice at a price per Class L Share equal to (a) the NAV per Class L Share determined as of the date scheduled for redemption plus (b) all or a portion of the

Class L Equalization Factor to the extent that the increase in value of the Class L Shares that caused the payment of the Class L Equalization Factor has not been lost or has not been paid previously to the affected Shareholder, less (c) any costs of funding the redemption, including any Early Redemption Fee, brokerage fees and commissions.

## **DISTRIBUTION OF SHARES**

### **Prospectus Exemptions**

The Shares are being sold only on a private placement basis by the Manager, and by other qualified dealers through the facilities of FundSERV, and the distribution is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Each purchaser of Shares is required to make representations in the subscription agreement including, among other things, (i) that the purchaser has read this Offering Memorandum and is aware of the resale restrictions on the Shares, (ii) that, where required by law, such purchaser is purchasing as principal for its own account and not as agent, and (iii) as to the basis on which such purchaser (or any ultimate purchaser for which such purchaser is acting as agent) is an “accredited investor” or is otherwise eligible to purchase the Shares under applicable Canadian securities laws as set out in the subscription agreement.

The minimum initial investment in the Fund for residents of any province who meet the definition of “accredited investor” is \$150,000 for Class A Shares and Class D Shares, \$3,000,000 for Class J Shares and \$2,000,000 for Class L Shares. A list of accredited investors is set out in the subscription agreement attached to this Offering Memorandum, but generally includes individuals who have net investment assets exceeding \$1,000,000, personal income exceeding \$200,000 or combined spousal income exceeding \$300,000 (in the previous two years with a reasonable expectation of exceeding same net income level in the current year).

Purchasers will be required to make certain additional representations in the subscription agreement and the Fund and the Manager will rely on such representations to establish the availability of an exemption from prospectus requirements. No subscription will be accepted unless the Manager is satisfied that the subscription is in compliance with applicable securities laws. The Manager on behalf of the Fund may accept a lesser amount than the initial investment minimum.

If a Shareholder ceases to be eligible to hold Class D Shares, Class J Shares or Class L Shares, the Manager may, in its sole discretion, exchange such Shareholder’s Class D Shares, Class J Shares or Class L Shares, as applicable, for Class A Shares at the next Valuation Date, unless such Shareholder notifies the Fund during the notice period and the Manager agrees that the Shareholder is once again eligible to hold Class D Shares, Class J Shares or Class L Shares, as applicable.

### **Subscription Procedure**

Prospective investors who wish to subscribe for Shares must complete, execute and deliver the subscription agreement that accompanies this Offering Memorandum to their dealer or the Manager, together with a cheque (or other form of funds transfer acceptable to the Manager, including through the facilities of FundSERV (the clearing and settlement service that enables participating securities brokers and dealers to clear certain financial product transactions between themselves, to settle payment obligations arising from such transactions, and to make other payments between themselves)) representing payment of the subscription price. Subscription forms and cleared funds received at least five Business Days prior to the end of a month will be accepted on the Valuation Date in such month. Subscriptions received after that time will be accepted on the next Valuation Date. Shares will be deemed to be issued on the next Business Day based on the NAV per Share on such Valuation Date. See “Valuation, Total Assets and Net Asset Value.”

Subscriptions for Shares are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. In the event a subscription for Shares is rejected, any subscription funds forwarded by the subscriber will be returned without interest or deduction.

### **Offering Price**

The Shares will be issued at the NAV per Share on the applicable Valuation Date.

However, when Shares are subscribed for during the course of a fiscal year (“**Interim Purchases**”) or at the beginning of the fiscal year when there is a loss carryover, certain adjustments to the amount of money paid for the purchase of such Shares are necessary. This is done so that (i) the Performance Amounts are charged only to those Shares which have appreciated in value since their acquisition, (ii) all Shareholders of the same class of Shares will have the same amount per Share at risk and (iii)

all Shares of the same Class will have the NAV per Share. A specific description of the manner in which these adjustments shall be made is set forth in Appendix A hereto.

### RETRACTION OF SHARES

A Shareholder may surrender Shares for retraction on each Valuation Date, upon giving notice in writing to the Manager (if the Shareholder originally subscribed for Shares directly from the Fund) or to the Shareholder's investment advisor or broker who is a participant in FundSERV (if the Shareholder originally subscribed for Shares through a FundSERV participant) at least 90 days prior to the Valuation Date on which the retraction is to be made, subject to the Fund's right to suspend retractions in certain circumstances (as described below). A Shareholder who surrenders a Share for retraction will be entitled to receive an amount equal to (a) the NAV per Share determined as of the Retraction Date plus (b) all or a portion of the Equalization Factor to the extent that the increase in value of the Shares that caused the payment of the Equalization Factor has not been lost or has not been paid previously to the retracting Shareholder, less (c) any costs of funding the retraction, including any Early Redemption Fee, brokerage fees and commissions (the "**Retraction Price**"), and will receive payment of the Retraction Price on or before the tenth Business Day following the Retraction Date. The NAV per Share is linked to the value of the Portfolio and will vary with the performance of the Portfolio.

Class D Shares, Class J Shares or Class L Shares that have been held for less than two years may be surrendered for retraction upon the same terms, subject to an early redemption fee (the "**Early Redemption Fee**") equal to (a) 3% of the aggregate Net Asset Value of the Class D, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for 12 months or less and (b) 1.5% of the aggregate Net Asset Value per Share of the Class D Shares, Class J Shares or Class L Shares being surrendered, in the case of Class D Shares, Class J Shares or Class L Shares held for more than 12 months but less than 24 months. The Early Redemption Fee is payable to the Manager and may be waived in its sole discretion.

**A Shareholder who has purchased Shares through a FundSERV participant should obtain further information from his or her investment advisor or broker to determine the timing and other procedural requirements of such investment advisor or broker in connection with the retraction of Shares.**

If the Manager has received requests to retract Shares representing 10% or more of the NAV of the Fund on any Retraction Date, the Manager may redeem a pro-rated amount of each such retraction request up to a total of 10% of the NAV of the Fund (the "**Initial Retraction**") or may, in its sole discretion, defer the payment of retraction amounts for some or all of the Shares in respect of which retraction has been requested in order to permit an orderly liquidation of the Fund's assets in connection with such retraction. After the Initial Retraction, the redemption of any Shares which have been surrendered for retraction but not redeemed, if any, will be deferred to the following Valuation Date in order to permit an orderly liquidation of the underlying assets in connection with such retraction. The Retraction Price for any such deferred redemptions shall be calculated as of the Valuation Date upon which such redemption actually takes place.

The Manager may suspend the valuation of the Fund and issue and retraction of Shares or payment of retraction proceeds, for any period not exceeding 180 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension shall apply to all requests for retraction received prior to the suspension, but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Shareholders making such requests will have been and will be advised that they have the right to withdraw their requests for retraction. The suspension will terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. Retractions following the termination of a suspension of retractions will be made utilizing the NAV per Share at the next scheduled Valuation Date, and payment to the redeeming Shareholders will be made within ten Business Days thereafter. To the extent not inconsistent with the official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive. Retraction requests are irrevocable unless they are subject to deferral as discussed above, in which case they may be withdrawn within 15 days following the Initial Retraction.

The Fund has the right to redeem some or all of the Shares owned by a Shareholder on a Valuation Date at the NAV per Share thereof, by providing written notice to the Shareholder at least 30 days before any Valuation Date, which right may be exercised by the Fund in its absolute discretion. The Fund expects to redeem Shares only in exceptional circumstances and may do so at the recommendation of the Manager, which must meet its fiduciary obligations to the Fund in making this recommendation. If any director or officer of the Manager is also a director of the Fund, the board of directors of the Fund, other than that director, must make a decision to redeem the Shares. The Manager will generally only recommend that the Shares be redeemed if: (i) the assets of the Fund have grown to a level where the Manager considers that it will be difficult to satisfactorily employ the mandate of the Fund to achieve appropriate returns and where this may be a detriment to all shareholders of the Fund, (ii) a shareholder is harassing and/or distracting the Manager from its management responsibilities, including market timing the

Fund, (iii) the Manager considers that the expenses of the Fund in distributing Shares in the current manner is too great, and the Manager wishes to redeem all Shareholders who acquired the Shares in that manner,(iv) a Shareholder is considered, by the Manager, acting reasonably to be involved in criminal, terrorist or other inappropriate and bad faith dealings with the Manager or (v) a Shareholder fails to furnish information requested by the Fund or the Manager to satisfy their respective FATCA reporting obligations. See “Risk Factors—Tax Matters”.

### RESALE RESTRICTIONS

The distribution of Shares is being made on a private placement basis only and is exempt from the requirement that the Fund prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, the resale of these securities by investors is subject to restrictions. An investor should refer to applicable provisions in consultation with a legal advisor. Furthermore, no transfer of Shares may be effected unless the Manager, in its sole discretion, approves the transfer and the proposed transferee. There is no market for these Shares and no market is expected to develop, therefore may be it difficult or even impossible for the purchaser to sell the Shares.

Subscribers are advised to consult with their advisors concerning restrictions on resale and are further advised against reselling their Shares until they have determined that any such resale is in compliance with the requirements of applicable legislation and the articles of incorporation of the Fund.

### VALUATION, TOTAL ASSETS AND NET ASSET VALUE

The net asset value of the Fund on any Valuation Date shall be an amount calculated by subtracting the aggregate value of the Fund’s liabilities from the aggregate value of its assets (the “**Net Asset Value**”). Similarly, the Net Asset Value of the Fund on any Valuation Date shall be an amount calculated by subtracting the aggregate value of the Fund’s liabilities from the aggregate value of the Fund’s assets.

The Net Asset Value per Share for a class is determined by adding up the assets of the Fund attributable to that class, subtracting the liabilities attributable to that class, and dividing the difference by the total number of Shares of such class outstanding on such Valuation Date on a fully-diluted basis (the “**NAV per Share**”). The NAV per Share will fluctuate with the value of the Fund’s investments attributable to the class, the income received therefrom attributable to the class, and the expenses paid out of the Fund attributable to the class. The fully-diluted number of Class A Shares will be calculated (a) after giving effect to the calculation of the Class A Performance Amount and any deemed adjustment to the Class B Conversion Multiplier; (b) after giving effect to the calculation of the Class D Performance Amount and any deemed adjustment to the Class B Conversion Multiplier; (c) after giving effect to the calculation of the Class J Performance Amount and any deemed adjustment to the Class B Conversion Multiplier; (d) after giving effect to the calculation of the Class L Performance Amount and any deemed adjustment to the Class B Conversion Multiplier; (e) as if all the outstanding Class B Shares of the Fund have been converted into Class A Shares based on the Class B Conversion Multiplier as adjusted pursuant to sub-paragraph (a); and (f) before giving effect to any issue or retraction of Class A Shares issued or retracted on that date. The fully-diluted number of Class D Shares will be calculated before giving effect to any issue or retraction of Class D Shares issued or retracted on that date. The fully-diluted number of Class J Shares will be calculated before giving effect to any issue or retraction of Class J Shares issued or retracted on that date. The fully-diluted number of Class L Shares will be calculated before giving effect to any issue or retraction of Class L Shares issued or retracted on that date.

Harmonic Canada will calculate the NAV per Share as at the close of business on each Valuation Date. At a minimum, the Valuation Date will be the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the NAV per Share.

For the purpose of calculating NAV per Share on such Valuation Date, Net Asset Value will be calculated by subtracting the aggregate amount of the Fund’s from its total assets. However, the Valuation Agent has the right to allocate expenses to a particular class where it is reasonable to do so. The total assets of the Fund will consist of the aggregate value of the Portfolio together with any assets of the Fund invested in cash and cash equivalents.

- (a) The total assets of the Fund will be determined as follows and in this section “Valuation Agent” shall mean Harmonic Canada: the value of any cash or its equivalent on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Net Asset Value is being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Manager or the Valuation Agent has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date

as of which the Net Asset Value is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager or the Valuation Agent determines to be the fair market value thereof;

- (b) on any day other than a Retraction Date, the value of any security that is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager or the Valuation Agent) shall be determined by taking the latest available bid price as at the Valuation Date on which the Net Asset Value is being determined (or such other value as Canadian generally accepted accounting principles or the Canadian Securities Administrators may require or permit), as reported by any means in common use;
- (c) on a Retraction Date, the value of any security that is listed or traded upon a stock exchange (or if more than one, on the principal exchange for the security, as determined by the Manager or the Valuation Agent) will be the most recent bid price for long positions and the most recent ask price for short positions (unless in the opinion of the Manager or the Valuation Agent such value does not reflect the value thereof and in which case the volume weighted average trading price of the security over the last three Business Days will be used), as at the Retraction Date on which the total assets are being determined, all as reported by any means in common use;
- (d) the value of any debt securities will be valued by taking the average of the bid and ask prices on the date upon which the Net Asset Value is calculated;
- (e) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants shall be the current market value thereof;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the total assets are being determined as determined by the Manager or Valuation Agent (generally such asset will be valued at cost until there is a clear indication of an increase or decrease in value);
- (g) any market price reported in currency other than Canadian dollars shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager or Valuation Agent including, but not limited to, their respective affiliates;
- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager or Valuation Agent and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager or Valuation Agent; and
- (i) the value of any security or property to which, in the opinion of the Manager or Valuation Agent (in consultation with the Manager), the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager or Valuation Agent, in consultation with the Manager, from time to time adopts.

#### **DIVIDENDS**

The holders of Shares shall be entitled to receive distributions in the nature of dividends if, as and when declared by the board of directors of the Fund. Dividends, if any, are expected to consist primarily of capital gains dividends but may also include ordinary dividends and returns of capital. Returns of capital are generally not subject to tax (but reduce the adjusted cost base of the Shares) and capital gains dividends will generally be taxed as capital gains. See "Canadian Federal Income Tax Considerations—Taxation of Shareholders".

Dividends will be payable to Shareholders of record on the last Business Day of a month and will be paid on or before the tenth Business Day of the following month.

### PERMITTED MERGER

The board of directors of the Fund have approved a permitted merger policy whereby, without obtaining approval of the Shareholders, the Manager may merge the Fund, or the Fund, (a “**Permitted Merger**”) with another fund or funds, provided that:

- (a) the fund(s) with which the Fund or the Fund would be merged must be managed by the Manager or an affiliate of the Manager (the “**Affiliated Fund(s)**”);
- (b) the funds being merged have similar investment objectives as set forth in their respective constating documents, as determined in good faith by the Manager in its sole discretion;
- (c) the Manager must have determined in good faith that there would be no increase in the management expense ratio borne by the Shareholders as a result of the merger;
- (d) the merger of the funds would be completed on the basis of an exchange ratio determined with reference to the net asset value per unit or share, as applicable, of each fund;
- (e) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Shareholders; and

If the Manager determines that a Permitted Merger is appropriate and desirable, the Manager can effect the transaction, including any required changes to the Fund’s constating documents without seeking Shareholder approval to effect such Permitted Merger or such amendments. If a decision is made to merge, the Manager would provide notice prior to the proposed effective date thereof disclosing details of the proposed Permitted Merger. While the funds to be merged would have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units or shares of the merged funds would be subject to different risk factors.

### SHAREHOLDER MATTERS

#### Meetings of Shareholders

Except as required by law or set out below, holders of Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Fund.

#### Acts Requiring Shareholder Approval

The following matters (each a “**Shareholder Matter**”) require the approval of the shareholders of the relevant class eligible to vote by a two-thirds majority vote (other than items (h) through (k) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the investment strategy of the Fund as described under “Investment Objective and Strategy of the Fund”;
- (b) a change in the investment restrictions of the Fund as described under “The Portfolio — Portfolio Investment Restrictions”, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (d) a decrease in the frequency of calculating the NAV per Share or of retraction privileges;
- (e) the issuance of debt securities or shares ranking prior to the Class A, Class D, Class J or Class L Shares;
- (f) except pursuant to a Permitted Merger, a liquidation, dissolution or winding-up of the Fund or the Fund prior to a consolidation, merger or sale of all or substantially all of the assets of the Fund or the Fund;
- (g) except pursuant to a Permitted Merger, any consolidation, merger or sale of all or substantially all of the Fund’s assets or the Fund’s assets;

- (h) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund;
- (i) a fee or expense, to be charged to the Fund or directly to its securityholders by the Fund or its Manager in connection with the holding of securities of the Fund that could result in an increase in charges to the Fund or to its securityholders, is introduced;
- (j) except pursuant to a Permitted Merger, a reorganization with, or transfer of assets to, another mutual fund corporation, if (i) the Fund ceases to continue after the reorganization or transfer of assets; and (ii) the transaction results in the holders of Shares becoming securityholders in the other mutual fund corporation;
- (k) except pursuant to a Permitted Merger, a reorganization with, or acquisition of assets of, another mutual fund corporation, if (i) the Fund continues after the reorganization or acquisition of assets; (ii) the transaction results in the securityholders of the other mutual fund corporation becoming Shareholders; and (iii) the transaction would be a significant change to the Fund; and
- (l) an amendment, modification or variation in the provisions or rights attaching to the any Class of shares if such change would materially adversely affect the rights attaching to the Class A Shares or the Class D Shares or the Class J Shares or the Class L Shares.

Each share will have one vote at such a meeting. A quorum of shareholders would be present at a meeting of shareholders if the holders of not less than 51% of the shares entitled to vote at the meeting are present in person or represented by proxy, irrespective of the number of persons actually present at the meeting. If no quorum is present, the shareholders then present will constitute a quorum at an adjourned meeting.

The Manager and any of its affiliates shall not be entitled to vote any shares held by them with respect to the matters referred to in item (d) above.

### **Information and Reports to Shareholders**

Within 90 days after the end of each fiscal year, the Manager will forward to each Shareholder the audited financial statements for such fiscal year together with such other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Shareholders' tax returns under the Tax Act and equivalent provincial legislation with respect to amounts paid or payable by the Fund to the Shareholders in the preceding taxation year. The annual financial statements of the Fund shall be audited by the Fund's auditor in accordance with generally accepted auditing standards.

The Manager will forward to each Shareholder unaudited interim financial statements 60 days after June 30 each year. Prior to any meeting of Shareholders, the Fund will provide the Shareholders (along with notice of such meeting) all such information as is required by applicable law to be provided to such holders. The Fund relies on an exemption from the requirement to file its financial statements with the securities regulators pursuant to Section 2.11 of National Instrument 81-106 – *Investment Fund Continuous Disclosure* (“NI 81-106”). In order to rely on that exemption, the Fund will prepare and distribute its financial statements in accordance with the requirements of NI 81-106.

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

In the opinion Stikeman Elliott LLP, counsel to the Fund, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations that generally apply to investors who, for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) and at all relevant times, are resident or deemed to be resident in Canada, deal at arm's length with the Fund, are not affiliated with the Fund and hold Shares as capital property. Generally, Shares will be considered to be capital property to a purchaser provided that the purchaser does not hold such Shares in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders who might not otherwise be considered to hold Shares as capital property may, in certain circumstances, be entitled to have such securities and all other “Canadian securities” owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the facts set out in this offering memorandum, the provisions of the Tax Act in force on the date hereof, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”). This summary does not otherwise take into account

or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

This summary is based on the assumption that the Fund will qualify at all times as a “mutual fund corporation” within the meaning of the Tax Act. **In the event the Fund were not to qualify as a mutual fund corporation at all times, the income tax consequences described below would in some respects be materially different.**

This summary does not apply to a Shareholder that is a “financial institution” (as defined in the Tax Act) or a “specified financial institution” (as defined in the Tax Act), a Shareholder an interest in which is a “tax shelter investment” (as defined in the Tax Act) or to a Shareholder that makes the functional currency reporting election in accordance with the provisions in the Tax Act in that regard.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Shares and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Shares. Moreover, the income and other tax consequences of acquiring, holding or disposing of Shares will vary depending on the purchaser’s particular circumstances including the province(s) or territory(ies) in which the purchaser resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular purchaser. Prospective purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Shares based on their particular circumstances.**

#### **Status of the Fund**

The Fund intends to qualify at all relevant times as a “mutual fund corporation” as defined in the Tax Act. To qualify as a mutual fund corporation, (i) the Fund must be a “Canadian corporation” that is a “public corporation” for purposes of the Tax Act, (ii) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property); and (iii) at least 95% of the fair market value of all of the issued shares of the capital stock of the Fund must be redeemable at the demand of the holders of those shares. Provided that the Fund qualifies as a mutual fund corporation at all times, the Fund will be entitled, in certain circumstances, to a refund of tax paid by it in respect of its net realized capital gains.

#### **Taxation of the Fund**

As a mutual fund corporation, the Fund is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Fund has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or capital gains redemptions. Also, as a mutual fund corporation, the Fund is entitled to maintain a capital gains dividend account in respect of its net realized capital gains and from which it may elect to pay dividends (“**Capital Gains Dividends**”) which are treated as capital gains in the hands of the Shareholders of the Fund (see “Taxation of Shareholders” below).

In computing income for a taxation year, the Fund will be required to include in income all dividends received by the Fund in the year. In computing taxable income, the Fund will generally be permitted to deduct all dividends received by it from taxable Canadian corporations. The Fund will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations.

The Manager has informed counsel that the Fund has made an irrevocable election in accordance with subsection 39(4) of the Tax Act to have each of its “Canadian securities”, as that term is defined in the Tax Act, treated as capital property. Such an election will ensure that gains or losses realized by the Fund on Canadian securities are treated as capital gains or capital losses.

As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Fund is generally subject to a refundable tax of 33 <sup>1</sup>/<sub>3</sub>% under Part IV of the Tax Act on taxable dividends received by the Fund during the year to the extent that such dividends were deductible in computing the Fund’s taxable income for the year. This tax is refundable upon payment by the Fund of sufficient dividends other than Capital Gains Dividends (“**Ordinary Dividends**”).

To the extent that the Fund earns income (other than dividends from taxable Canadian corporations and taxable capital gains), including interest and dividends from corporations other than taxable Canadian corporations, the Fund will be required to include such amounts in computing taxable income and no refund will be available in respect thereof.

In accordance with the CRA's published administrative practice, the Fund will include gains and deduct losses in connection with investments made through derivative securities on income account, except where such derivatives are used to hedge securities held on capital account provided there is sufficient linkage, and the Fund will recognize such gains and losses for tax purposes at the time they are realized.

The Fund will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing the Shares. Such issue expenses will be deductible by the Fund ratably over a five-year period subject to reduction in any taxation year which is less than 365 days. The Fund will generally be entitled to deduct administrative expenses and interest payable by it on money borrowed to purchase securities. Any non-capital losses incurred by the Fund may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Fund.

Given the investment policy of the Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Manager has advised counsel that the Fund does not expect to be subject to any significant amount of non-refundable Canadian income tax.

### **Taxation of Shareholders**

Shareholders must include in income Ordinary Dividends paid to them by the Fund. For individual Shareholders, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. The Tax Act provides an enhanced dividend gross-up and tax credit for eligible dividends received from the Fund. For corporate Shareholders, other than "specified financial institutions" (as defined in the Tax Act), Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

A Shareholder that is a private corporation or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 33 <sup>1</sup>/<sub>3</sub>% refundable tax under Part IV of the Tax Act on Ordinary Dividends received on the Shares to the extent that such dividends are deductible in computing the Shareholder's taxable income.

The amount of any Capital Gains Dividend received by a Shareholder from the Fund will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the Capital Gains Dividend is received.

The amount of any payment received by a Shareholder from the Fund on a Share as a return of capital will not be required to be included in computing income. Instead such amount will reduce the adjusted cost base of such share to the Shareholder. To the extent that the adjusted cost base to the Shareholder of a Share would otherwise be a negative amount, the Shareholder will be considered to have realized a capital gain at that time equal to that negative amount. The adjusted cost base of the Share would then be increased by the amount of such deemed capital gain.

Upon the redemption, retraction or other disposition of a Share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. If the Shareholder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. The adjusted cost base of each Share will generally be the weighted average of the cost of the Shares of the particular class acquired by a Shareholder at a particular time and the aggregate adjusted cost base of any Shares of that class held immediately before the particular time.

One-half of a capital gain (a taxable capital gain) is included in computing income and one-half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Tax Act. A Shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains.

Individuals (other than certain trusts) who realize net capital gains or receive dividends may be subject to alternative minimum tax under the Tax Act.

## **RISK FACTORS**

An investment in Shares involves certain risk factors, including risks associated with the Fund's investment strategies. The following risks should be carefully evaluated by prospective investors.

### **Risks Associated with an Investment in the Fund**

#### *Investment Risk*

There is no assurance that the Fund will achieve its investment objective. An investment may not earn any positive return and an investment in the Fund is appropriate only for investors who have the capacity to absorb the loss of some or all of their investment. Investors should review closely the investment objective and investment strategies to be utilized by the Fund as outlined herein to familiarize themselves with the risks associated with an investment in the Fund.

#### *Reliance on the Manager and Track Record*

The success of the Fund will be primarily dependent upon the efforts of the Manager and its principals.

#### *General Economic and Market Conditions*

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

#### *Liquidity of Underlying Investments*

Some of the securities in which the Fund intends to invest may be thinly traded. It is possible that the Fund may not be able to sell or repurchase significant portions of such positions without facing substantially adverse prices. If the Fund is required to transact in such securities before its intended investment horizon, the performance of the Fund could suffer.

#### *Changes to Investment Strategy*

The Manager may alter its strategy without prior approval by securityholders if the Manager determines that such change is in the best interest of the Fund.

#### *Class Risk*

Each of the Partners Fund and the Fund are funds of assets that issue separate classes of Shares. The funds invest in a portfolio of securities based on the investment objectives of that fund. However, each of the Partners Fund and the Fund are part of the Fund that is liable for the expenses and the liabilities of all of its funds as a whole. Therefore, if one of the Partners Fund or the Fund was unable to pay its expenses or satisfy its liabilities, then the Fund would be required to pay those expenses or satisfy those liabilities from the assets of the other funds, causing the value of an investment in those other funds to decline.

#### *Risk of Short Sales*

As one of its investment strategies, the Fund may engage in short selling securities. A short sale of a security may expose the Fund to losses if the price of the security sold short increases because the Fund may be required to purchase such securities in order to cover its short position at a higher price than the price at which such securities were sold short. The potential loss on the short sale of securities is unlimited, since there is no limit on how much the price of a security will appreciate before the short position is closed out. In addition, a short sale entails the borrowing of the security in order that the short sale may be transacted. There is no assurance that the lender of the security will not require the security to be repaid before the Fund wishes to do so, thereby requiring the Fund to borrow the security elsewhere or purchase the security in the market at an unattractive price. In the event that numerous lenders of the security in the market simultaneously recall the same security, a "short-squeeze" may occur, whereby the market price of the borrowed security may increase significantly. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that a borrowing fee will not increase during the borrowing period, adding to the expense of the short sale strategy. In addition, there is no assurance that the security sold short can be repurchased due to supply and demand constraints in the marketplace.

#### *Options*

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option limited is to the amount of the purchase price of the option, however investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option

there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

#### *Trading Costs*

The Fund may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Fund.

#### *Interest Rate Hedging*

Interest rate hedges will be used by the Fund only to the extent that the Manager considers appropriate and as described above under “Investment Objectives of the Fund”. The use of interest rate hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager’s assessment of certain market movements is incorrect, the risk that the use of interest rate hedges could result in losses greater than if the hedging had not been used.

#### *Foreign Currency Exposure*

Certain of the investments in the Portfolio, at any time, will consist of securities denominated in U.S. dollars or Euros and, accordingly, the Net Asset Value will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar or Euro relative to the Canadian dollar.

#### *Foreign Market Exposure*

The Portfolio may, at any time, include securities of issuers established in jurisdictions outside Canada and the U.S. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. Fund. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

#### *Hedge Risks*

Although hedging reduces risk, it does not eliminate it entirely. Losses can still result in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) anticipated transactions which are altered or aborted; (ii) the inability to hedge off risk, due to the difficulty of borrowing the offsetting security; (iii) a cease trade order being issued in respect of the underlying security; (iv) the inability to maintain a short position, due to the repurchase or retraction of shares by the issuing Fund; and (v) lack of liquidity during market panics. To protect the Fund’s capital against the occurrence of such events, the Manager will attempt to maintain a diversified portfolio.

#### *Counterparty Risk*

In purchasing call or put options or entering into forward or future contracts, the Fund is subject to the credit risk that the counterparties (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet their respective obligations and that the Fund may incur losses as a result.

#### *Borrowing and Other Leverage*

The Fund may use financial leverage by borrowing funds against the assets of the Fund. The use of leverage may result in capital losses or a decrease in distributions by the Fund which could have an adverse effect on Shareholders. The interest expense and banking fees incurred in respect of any loan facility may exceed the incremental capital gains, if any, and income generated by the incremental investment in securities to be included in the Portfolio with the borrowed funds. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns. In addition, the terms of its prime brokerage account may impose additional restrictions on the Fund.

#### *Tax Matters*

**The summary under “Canadian Federal Income Tax Considerations” is based on the assumption that the Fund will qualify at all times as a “mutual fund corporation” within the meaning of the Tax Act. In the event the Fund was to not qualify as a “mutual fund corporation”, the income tax consequences described above under “Canadian Federal Income Tax Considerations” would in some respects be materially and adversely different. In particular, among other things, if the Fund does not qualify as a “mutual fund corporation” for the purposes of the Tax Act, a disposition of Shares by a Shareholder through the redemption of such shares could result in a deemed dividend to the Shareholder rather than a capital gain, and the Fund will not be able to pay “capital gains dividends” to its Shareholders or obtain a refund of the tax that it pays on its capital gains.**

The CRA's practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for or received from CRA. If some or all of the transactions undertaken by the Fund were treated on income rather than capital account, after-tax returns to Shareholders could be reduced and the Fund may be subject to non-refundable income tax in respect of income from such transactions, and the Fund may be subject to penalty taxes in respect of excessive capital gains dividend elections.

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentive to Restore Employment Act ("FATCA") generally impose a reporting and 30% withholding tax regime with respect to certain U.S. source income (including interest, dividends, and other types of passive income ("FDAP income")) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (collectively referred to as "withholdable payments") paid to non-U.S. persons, including the Fund. Under FATCA, unless the Fund enters into an agreement with the U.S. Internal Revenue Service (the "IRS") pursuant to which it agrees to report to the IRS information regarding the U.S. persons, as defined in FATCA, and certain U.S. persons that indirectly hold interests through foreign entities in the Fund (other than equity and debt interests that are regularly traded on an established securities market), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the Fund will be subject to 30% withholding tax on FDAP income paid to it after December 31, 2013, and on the gross proceeds from the disposition of property that produces U.S.-source FDAP income paid to it after December 31, 2016. Certain obligations issued prior to January 1, 2014 are exempt from such withholding, unless such obligation is materially modified. If any interests in the Fund are not regularly traded on an established securities market, the Fund may be required to withhold 30% U.S. tax on a portion of the distributions that it makes to holders of such interests that fail to provide information requested by the Fund to comply with FATCA. In addition, regardless of whether Shares are regularly traded on an established securities market, the Fund may be required to withhold U.S. tax on a portion of payments made by the Fund after December 31, 2016 to any non-U.S. financial institution (for example, a holder's Canadian investment dealer) that has not entered into a FATCA agreement with the IRS, including any non-U.S. financial institution through which distributions on the Shares are made or to a holder that fails to provide information requested by such non-U.S. financial institution to comply with FATCA. These rules may be modified if Canada and the United States enter into an inter-governmental agreement. Investors should consult their own tax advisors regarding the possible implications of this legislation on their investment and the entities through which they hold their investment.

#### *Marketability and Transferability of Shares*

There is no market for the Shares and their resale, transfer and retraction are subject to restrictions imposed by the articles of incorporation of the Fund, consent by the Manager and applicable securities legislation. See "Resale Restrictions". Consequently, holders of Shares may not be able to liquidate their investment in a timely manner and the Shares may not be readily accepted as collateral for a loan.

#### *Not a Public Mutual Fund*

Although the Fund is a "mutual fund" as defined in the securities legislation applicable in certain provinces, it does not operate in accordance with the requirements of National Instrument 81-102 and other policies and regulations of the securities regulatory authorities that are applicable to mutual funds that have offered securities under a prospectus and become reporting issuers. As a result, the Fund is not subject to the restrictions placed on public mutual funds to ensure diversification and liquidity of the Fund's portfolio.

#### *Fluctuations in NAV and Valuation of the Portfolio*

The Net Asset Value and the funds available for distribution will vary according to, among other things, interest rates and the value of the securities in the Portfolio and distributions paid on the Shares. Fluctuations in the market values of the securities in the Portfolio may occur for a number of reasons beyond the control of the Manager and may be both volatile and rapid with potentially large variations over a short period of time.

While the Fund is independently audited by its auditor on an annual basis in order to ensure as fair and accurate a pricing as possible, valuation of the Fund's securities and other investments may involve uncertainties and judgmental determination and, if such valuation should prove to be incorrect, the net asset value of the Fund could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's securities and other investments. Valuation determination will be made in good faith.

The Fund may have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Fund to any such investment differs from the actual value, the NAV per Share may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Shareholder who retracts all or part of its Shares while the Fund holds such investments will be paid an amount less than such Shareholder would otherwise be paid if the actual value of such investments is higher than the Net Asset Value used for determining the retraction price of the Shares retracted. Similarly, there is a risk that such Shareholder might, in effect, be overpaid if the actual value of such investments is lower than the retraction price. In addition, there is risk that an investment in the Fund by a new Shareholder

(or an additional investment by an existing Shareholder) could dilute the value of such investments for the other Shareholder if the actual value of such investments is higher than the Net Asset Value used for determining the subscription price of the new Shares. Further, there is risk that a new Shareholder (or an existing Shareholder that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the subscription price. The Fund does not intend to adjust the NAV per Share retroactively except in extraordinary circumstances and where the difference is deemed by the Manager to be material.

#### *Possible Effect of Retraction*

Substantial retraction of Shares could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund retractions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Shares redeemed and of the Shares remaining outstanding.

#### *Charges to the Fund*

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

#### *Lack of Independent Experts Representing Shareholders*

Each of the Fund and the Manager has consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Shares. The Shareholders have not, however, been independently represented. Therefore, to the extent that the Fund, the Shareholders or this Offering could benefit by further independent reviews, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Shares and the suitability of investing in the Fund.

#### *Expenses Ultimately Borne by the Shareholders*

Fees and expenses borne by the Fund will directly or indirectly impact the NAV per Share.

#### *Securities Lending*

The Fund may engage in securities lending as described under “Investment Guidelines of the Fund — Securities Lending”. Although the Fund will receive collateral for the loans and such collateral is marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

#### *Changes in Legislation*

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund corporations under the Tax Act will not be changed in a manner which adversely affects the distributions received or to be made by the Fund.

**The foregoing statement of risks does not purport to be a complete explanation of all the risks involved in purchasing the Shares. Potential investors should read this entire Offering Memorandum and consult with their legal, tax and financial advisors, before making a decision to invest in Shares.**

### **PRINCIPAL SHAREHOLDERS**

The Manager owns all of the issued and outstanding Class B Shares. The Class B Shares are convertible into Class A Shares and the number of Class A Shares that the Manager may receive on the conversion of its Class B Shares will increase based on the performance of the Fund. The Manager and two principals of the Manager own all of the voting Class C Shares, giving them effective control of the Fund, except for those matters that require approval by holders of Shares set out under “Shareholder Matters—Acts Requiring Shareholder Approval”. As a result, the Fund is a related issuer of the Manager. The Manager was involved in the creation of the Fund and the decision to distribute its Shares and determined the terms of the Offering. Except for the management fee and the Manager’s Interest, none of the proceeds of the Offering will be applied, directly or indirectly for the benefit of the Manager. See “Fees, Expenses and the Manager’s Interest”.

### **CONFLICTS OF INTEREST**

The services of the Manager are not, subject to certain exceptions, exclusive to the Fund. The Manager may in the future act as the manager or investment manager of other funds which invest primarily in the same securities or which employ the same investment strategies and which could be considered competitors of the Fund. In addition, the directors and officers of the Manager may be directors, officers, shareholders or securityholders of one or more issuers from which the Fund may acquire securities.

Since the Manager, in its capacity as investment manager of the Fund will continue to manage the investments of its other clients, the Manager may acquire or dispose of the same investment for the Fund and one or more of its other clients. However, because of different investment policies, the Manager may be selling an investment for one client and buying the same investment for another client. Under the Management Agreement, the Manager has agreed, in accordance with its policies and procedures, to allocate opportunities to acquire and dispose of investments fairly among the Fund and its other clients that have similar investment objectives.

The Manager receives fees from the Fund based on the net asset value of the Fund from time to time. See “Fees, Expenses and Manager’s Interest” and “Valuation, Total Assets and Net Asset Value”. The Manager (in its capacity as an exempt market dealer) is offering the Shares on a private placement basis. The Fund may be considered to be a connected issuer and related issuer of the Manager under applicable securities laws. PowerOne Capital Markets Limited is an exempt market dealer and is wholly owned by PowerOne Asset Management Limited (“**PowerOne**”), one of the partners of the Manager. PowerOne Capital Markets Limited may trade in securities, as agent for the issuer of those securities that would be suitable for the Partners Fund or Fund. In such circumstances, the Manager will determine whether those securities are suitable for either the Partners Fund or Fund in light of its fiduciary duties to the funds and without regard to the relationship between the Manager and PowerOne. Any transaction with PowerOne Capital Markets Limited to acquire securities for the Partners Fund or Fund will be carried out under usual commercial terms consistent with those for other clients of PowerOne Capital Markets Limited that are not related to it. Each of the Manager and PowerOne Capital Markets Limited have adopted policies and procedures to minimize the potential for conflict of interest resulting from their relationship.

From time to time the Manager may receive a portion of a sourcing or structuring fee from issuers in connection with securities acquired by the Partners Fund or Fund pursuant to certain financing transactions. Such fees are determined by negotiation between the issuer and the applicable agents. In such cases, the Manager as agent, will offer terms and conditions no less favourable to the Partners Fund or Fund than would otherwise be obtainable through independent agents and at fees equal or comparable to fees that would have been charged by independent agents.

### **PRIME BROKER AND CUSTODIAN**

Scotia Capital Inc. (“**Scotia**”) will act as prime broker and custodian of the Fund’s assets.

### **AUDITOR**

The auditor of the Fund is KPMG LLP, Toronto, Ontario.

### **HARMONIC CANADA**

Harmonic Fund Services Canada Inc. (“**Harmonic Canada**”) has been appointed by the board of directors of the Fund to provide administrative services to the Fund.

Harmonic Canada will calculate the Net Asset Value of the Fund and the Fund and subscription, retraction and redemption prices, maintain the accounting books and records of the Fund, maintain the register of Shareholders of the Fund and process subscriptions, retraction requests, transfer requests and redemptions. Harmonic Canada may at its own expense appoint an agent or delegate to perform any of the aforementioned services.

The administration agreement provides that Harmonic Canada will accept liability for any loss the Fund may sustain as a result of its own fraud, negligence or wilful default or that of any agent or delegate. Pursuant to the terms of the administration agreement the Fund will indemnify Harmonic Canada from and against any and all liabilities and losses (other than those resulting from the fraud, negligence or wilful default on the part of Harmonic Canada or any agent or delegate) which may be imposed on, incurred by or asserted against Harmonic Canada in performing its obligations or duties under the administration agreement.

The administration agreement contains certain disclaimers of liability by Harmonic Canada, for example:

- in calculating the Net Asset Value of the Fund or the Fund, Harmonic Canada may use pricing information supplied by the Manager (or any affiliate thereof), pricing services, brokers, market makers or other intermediaries and will not be liable for any loss suffered by the Fund by reason of any error in calculation resulting from any inaccuracy in the information provided
- where the investments of the Fund include investments in collective investment schemes, Harmonic Canada may rely on the price (including estimated prices) provided by the manager, administrator or valuation agent of such scheme, and in such circumstances Harmonic Canada will not be liable for any loss suffered by the Fund by reason of any error in calculation resulting from any inaccuracy in the information provided

Harmonic Canada will not be responsible for ensuring that the investment transactions comply with the investment objectives and policies set forth in this Offering Memorandum. Harmonic Canada will not be liable for the failure by the Directors or the Manager to adhere to any investment objective, investment policy, investment restrictions or borrowing restrictions for or imposed upon the Fund.

The Directors and the Manager, and not Harmonic Canada, are responsible for determining that the Shares of the Fund are marketed and sold in compliance with all applicable securities and laws.

Harmonic Canada may terminate its relationship with the Fund, and the Fund may terminate its relationship with Harmonic Canada, at any time upon at least 90 days' prior written notice to the other party (or upon such shorter notice as the other party may agree to accept). The administration agreement may also be terminated immediately by either party under certain circumstances.

Harmonic Canada will be paid out of the assets of the Fund an annual fee based on a percentage of the Net Asset Value of the Fund, subject to a monthly minimum. Such fee is computed on a sliding scale rate which decreases as the Net Asset Value of the Fund increases.

#### **EXEMPTIONS AND APPROVALS**

The Fund is relying on the exemption in section 2.11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, from the requirement to file its financial statements with the OSC.

#### **PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION**

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Manager may require additional information concerning investors.

If, as a result of any information or other matter which comes to the attention of the Manager, any director, officer or employee of the Manager, or its professional advisors, knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

#### **CANADIAN LEGAL COUNSEL**

Stikeman Elliott LLP (Toronto) ("**Stikeman**") has been retained as Canadian legal counsel to the Fund and the Manager in connection with the offering of Shares. In connection with offering and subsequent advice to the Fund and the Manager, Stikeman will not be representing the investors or Shareholders. No independent legal counsel has been retained by the Manager or the Fund to represent the Shareholders. Stikeman's representation of the Fund and the Manager is limited to specific matters as to which it has been consulted by the Fund and/or the Manager. There may exist other matters that could have a bearing on the Fund and/or the Manager as to which Stikeman has not been consulted. In addition, Stikeman does not undertake to monitor compliance by the Manager and its affiliates with the investment program, valuation procedures and other guidelines set forth herein, nor does Stikeman monitor ongoing compliance with applicable laws. In connection with the preparation of this Offering Memorandum, Stikeman's responsibility is limited to matters of Ontario law and it does not accept responsibility in relation to any other matters referred to or disclosed in this Offering Memorandum. In the course of advising the Fund and the Manager, there are times when the interests of the Shareholders may differ from those of the Fund and the Manager. Stikeman does not represent the interests of Shareholders in resolving these issues. In reviewing this Offering Memorandum, Stikeman has relied upon information furnished to it by the Fund and the Manager and has not investigated or verified the accuracy and completeness of information set forth herein concerning the Fund or the Manager.

## RIGHTS OF ACTION AND RESCISSION

### Rights of Action for Damages or Rescission

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum (such as this Offering Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment to it contains a “Misrepresentation”. Where used herein, “**Misrepresentation**” means 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 any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

The information set forth below is not intended to be a comprehensive summary of the rights of each investor, and may be subject to change and is qualified in its entirety by the provisions of the applicable provincial securities legislation. Each investor should refer to their legal advisor for more details.

### Rescission of Purchase

Pursuant to Ontario securities legislation, where the amount of a purchase does not exceed the sum of \$50,000, purchasers of mutual funds may rescind their purchase within 48 hours after receipt of the sale confirmation. Purchasers of mutual funds under a regular investment plan may have longer to cancel an order. Investors must exercise these rights within the prescribed time limits. Investors should refer to applicable provisions of the securities legislation or consult with their legal advisor for more details.

### Alberta

Section 204 of the *Securities Act* (Alberta) provides that if an offering memorandum contains a Misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation, if it was a Misrepresentation at the time of the purchase, and has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum, and (b) for rescission against the issuer, provided that:

- (a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- (b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the Misrepresentation;
- (c) no person or company (other than the issuer) referred to above will be liable if it proves that the offering memorandum was sent to the purchaser without the person’s or Fund’s knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the Misrepresentation in the offering memorandum, withdrew the person’s or Fund’s consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (i) there had been a Misrepresentation; or
  - (ii) the relevant part of the offering memorandum
    - (A) did not fairly represent the report, opinion or statement of the expert, or

- (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (f) the person or company (other than the issuer) will not be liable if with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company
  - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or
  - (ii) believed there had been a Misrepresentation;
- (g) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum;
- (h) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation;

Section 211 of the *Securities Act* (Alberta) provides that no action may be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of
  - (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) 3 years from the day of the transaction that gave rise to the cause of action.

### **New Brunswick**

Section 150 of the *Securities Act* (New Brunswick) provides that where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases securities is deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against the issuer and any selling security holder(s) on whose behalf the distribution is made, or
- (b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the Misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a Misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (b) six years after the date of the transaction that gave rise to the cause of action.

## **Nova Scotia**

The right of action for damages or rescission described herein is conferred by Section 138 of the *Securities Act* (Nova Scotia). Section 138 of the *Securities Act* (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or Fund's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or Fund's knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or Fund's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Further, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or (ii) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

## **Ontario**

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the

issuer and any selling security holder in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
  - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

### **Saskatchewan**

Section 138 of the *Securities Act, 1988* (Saskatchewan), as amended (the "*Saskatchewan Act*") provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the *Saskatchewan Act*), a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or Fund that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or Fund that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;

- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the Misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the Misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or Fund's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the *Saskatchewan Act* for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the *Saskatchewan Act* in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the *Saskatchewan Act* also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the *Saskatchewan Act* provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the *Saskatchewan Act*, the regulations to the *Saskatchewan Act* or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the *Saskatchewan Act* also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the *Saskatchewan Act*.

The rights of action for damages or rescission under the *Saskatchewan Act* are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the *Saskatchewan Act* provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:

- (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
- (ii) six years after the date of the transaction that gave rise to the cause of action.

The *Saskatchewan Act* also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the *Saskatchewan Act* has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or Fund that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

#### **Manitoba, Newfoundland and Labrador and Prince Edward Island**

In Manitoba, the *Securities Act* (Manitoba), in Newfoundland and Labrador the *Securities Act* (Newfoundland and Labrador) and in Prince Edward Island the *Securities Act* (PEI), provides a statutory right of action for damages or rescission to purchasers resident in Manitoba, Newfoundland and Prince Edward Island respectively, in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, which rights are similar, but not identical, to the rights available to Ontario purchasers.

#### **Rights for Investors in British Columbia and Québec**

Notwithstanding that the *Securities Act* (British Columbia) and the *Securities Act* (Québec) do not provide, or require the Fund to provide, to purchasers resident in these jurisdictions any rights of action in circumstances where this Offering Memorandum or an amendment hereto contains a Misrepresentation, the Fund hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

**A PERSON CONSIDERING AN INVESTMENT IN THE FUNDS SHOULD CONSULT HIS, HER OR ITS OWN ADVISORS IN ORDER TO FULLY UNDERSTAND THE CONSEQUENCES OF AN INVESTMENT IN THE FUNDS WITH RESPECT TO SUCH PERSON'S PARTICULAR SITUATION.**

#### **General**

The foregoing summary is subject to the express provisions of the applicable securities legislation and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions. The rights of action described herein are in addition to and without derogation from any other right or remedy that the investor may have at law.

#### **LANGUAGE OF DOCUMENTS**

(Québec Only)

By accepting this Offering Memorandum, the investor acknowledges that it is its express wish that all documents evidencing or relating in any way to the sale of Shares be drawn up in the English language only. Par son acceptation de ce document, l'acheteur reconnaît par les présentes qu'il est de sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des parts soient rédigés en anglais seulement.

## APPENDIX A

### COMPUTATION OF OFFERING PRICE AND REDEMPTION PRICE

Shares generally will be issued at the NAV per Share on the applicable Valuation Date. However, when Shares are subscribed for during the course of a fiscal year (“**Interim Purchase**”), certain adjustments to the amount of money paid for the purchase of Shares are necessary. This is done so that (i) the Performance Amounts are charged only to those Shares which have appreciated in value since their acquisition, (ii) all holders of the same class of Shares will have the same amount per share at risk and (iii) all shares of the same Class will have the same net asset value per Share.

The number of Shares to be purchased will be based on the offering price per Share (the “**Offering Price**”) as illustrated in the tables which follow. The Offering Price for each Share is calculated in the following manner:

1. For Shares purchased at the beginning of the fiscal year (“**Year Beginning**”), the Offering Price is the Year Beginning net asset value per Share (“**Beginning Value**”).
2. For Interim Purchases, when the net asset value per Share is more than the sum of (i) the Beginning Value and (ii) the loss carryover per Share<sup>1</sup> at Year Beginning, the Offering Price is the sum of the net asset value per Share and the “Equalization Factor” as defined below. In general, the Equalization Factor is an amount which the Shares outstanding since Year Beginning should be charged (i.e., 20 percent of the increase since Year Beginning in net asset value per Share, computed prior to the accrual of the applicable Performance Amount), and which the Shares subscribed for at the date of the Interim Purchase (“**Interim Purchase Date**”) should not be charged. To the extent that the increase in value of the Shares that causes the payment of the Equalization Factor is not lost in the current year, the Equalization Factor attributable to such increase becomes payable to the Shareholder at the end of the current year. To the extent that the increase in value of the Shares that causes the payment of the Equalization Factor is lost in the year the Shares are purchased but is recovered in a subsequent year, the Equalization Factor attributable to such recovery will become payable to the Shareholder at the end of the year in which the recovery occurs. Upon redemption by a Shareholder of its Shares, the same amount of the Equalization Factor will be paid to the Shareholder as if the date of redemption were the last day of the fiscal year in which the Shares are redeemed. Any Equalization Factor, or portion thereof, which is due to a Shareholder not redeeming its Shares will be used to purchase additional Shares on behalf of such Shareholder as of the first day of the next succeeding fiscal year.

Certain adjustments are required at the end of the fiscal year if Shares are purchased during a fiscal year at a time when the net asset value per Share is less than the sum of (i) the Beginning Value and (ii) the loss carryover per Share at Year Beginning, or if Shares are purchased at Year Beginning when there is a loss carryover, so that the purchasers of those Shares will be charged a Performance Amount equal to 20 percent of the net profits allocable to those Shares. These adjustments will be effected by redeeming (reducing) a sufficient number of those Shares at the end of the fiscal year so that the particular Shareholder will be charged the appropriate Performance Amount.

The following Tables have been provided to illustrate the manner in which the adjustments set forth above operate. Table I illustrates the manner in which the adjustments described above operate with respect to Shares subscribed for at the beginning and during a hypothetical fiscal year where there is no loss carryover at Year Beginning. Table II illustrates the manner in which the adjustments described above operate with respect to Shares subscribed for, prior to, at the beginning and during a hypothetical fiscal year where there is a loss carryover of \$200 per Share at the end of the first fiscal year. Both Tables I and II are based upon a 20 percent Performance Amount.

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<sup>1</sup> The loss carryover per share at the beginning of any year shall be the loss carryover per share at the beginning of the preceding fiscal year (i) plus an amount equal to the decrease in net asset value per share during the preceding fiscal year or (ii) minus an amount equal to the increase in net asset value per share during the preceding fiscal year.

**TABLE I**

Shareholder	Shareholder Subscribes for a Class of Shares at	Net NAV on Date of Purchase	Equalization Factor	Offering Price	NAV at Year-End (before 20% Performance Amount)	Regular 20% Performance Amount Accrued at Year-End	Additional Performance Amount	Equalization Factor Returned to Shareholder	NAV at Year End (after 20% Performance Amount)	Number of Shares Held By Shareholder at Beginning of Year 2
A	Year Beginning Jan. 1 NAV= \$1,000	\$1,000	\$0	\$1,000	\$1,400	\$80	\$0	\$0	\$1,320	1.0
B	Interim Purchase Date July 1 NAV= \$800	800	(40)	800	1,400	80	40*	0	1,320	1,280/1,320
C	Interim Purchase Date Oct. 1 NAV= \$1,200 (before 20% Performance Amount)	1,160	40	1,200**	1,400	80	0	40	1,320	1,360/1,320***

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\* Additional Performance Amount owed for increase in NAV from \$800 to \$1,000 (which is not charged to Shareholder A, since Shareholder A acquired its Shares at \$1,000 NAV, and not \$800 NAV).

Adjustment made by redeeming (reducing) a portion of Shareholder B's Shares at year-end.

\*\* Includes Equalization Factor.

\*\*\* Shareholder C's Equalization Factor returned and invested in additional Shares.

**TABLE II**

<u>Year 1</u>										
Shareholder	Shareholder Subscribes for a Class of Shares at	Net NAV on Date of Purchase	Equalization Factor	Offering Price	NAV at Year-End (before 20% Performance Amount)	Regular 20% Performance Amount Accrued at Year-End	Additional Performance Amount	Equalization Factor Returned to Shareholder	NAV at Year End (after 20% Performance Amount)	Number of Shares Held By Shareholder at Beginning of Year 2
A	Year Beginning Jan. 1 NAV= \$1,000	\$1,000	\$0	\$1,000	\$800	\$0	\$0	\$0	\$800	1.0
<u>Year 2</u>										
Shareholder	Shareholder Subscribes for a Class of Shares at	Net NAV on Date of Purchase	Equalization Factor	Offering Price	NAV at Year-End (before 20% Performance Amount)	Regular 20% Performance Amount Accrued at Year-End	Additional Performance Amount	Equalization Factor Returned to Shareholder	NAV at Year End (after 20% Performance Amount)	Number of Shares Held By Shareholder at Beginning of Year 2
A	Year 2 Beginning Jan. 1 NAV= \$1,000	\$1,000	\$0	\$1,000	\$1,200	\$40	\$0	\$0	\$1,160	1.0
B	Beginning of Year 2 Purchase NAV= \$800	800	(40)	800	1,200	40	40*	0	1,160	1,120/1,160
C	Interim Purchase Date April 1 Year 2 NAV= \$1,100 (before 20% Performance Amount)	1,080	20	1,100**	1,200	40	0	20	1,160	1,180/1,160***

Shareholder B in Table I, purchasing Shares on an Interim Purchase Date when the net asset value has decreased since Year Beginning, pays an Offering Price of \$800 per Share. Since the Performance Amount which would accrue to his Shares would be \$40 more than the Performance Amount which would accrue for Shares purchased by Shareholder A at

\* Additional Performance Amount owed for increase in NAV from \$800 to \$1,000 (which is not charged to Shareholder A, since Shareholder A acquired its Shares at \$1,000 NAV and not \$800 NAV).

Adjustment made by redeeming (reducing) a portion of Shareholder B's Shares at year-end.

\*\* Includes Equalization Factor.

\*\*\* Shareholder C's Equalization Factor returned and invested in additional Shares.

Year Beginning, \$40 in amount of Shareholder B's Shares would be redeemed (reduced) at the end of the fiscal year so that Shareholder B would be charged the current amount of Performance Amount.

Shareholder C in Table I, purchasing Shares on an Interim Purchase Date when the net asset value has increased since Year Beginning, pays an Offering Price of \$1,200 per Share. The Equalization Factor is returned to him at year-end and applied to the purchase of additional Shares since the Performance Amount which would accrue to his Shares would be \$40 less than the Performance Amount which would accrue to the Shares purchased by Shareholder A.

Shareholder A in Table II, purchasing Shares at an Offering Price of \$1,000 at the beginning of Year 1, experiences a decrease in the net asset value of \$200 in Year 1. In Year 2, the net asset value of Shareholder A's Shares increases from \$800 to \$1,200. Shareholder A is not charged a Performance Amount on the \$200 loss that was recouped but is charged a Performance Amount on the increase in net asset value from \$1,000 to \$1,200.

Shareholder B in Table II, purchasing Shares at the beginning of Year 2 when the net asset value has decreased since the beginning of Year 1, pays an Offering Price of \$800 per Share. Since the Performance Amount which would accrue to his Shares would be \$40 more than the Performance Amount which would accrue for Shares purchased by Shareholder A at Year 1, \$40 in amount of Shareholder B's Shares would be redeemed at the end of the fiscal year so that Shareholder B would be charged the current amount of Performance Amount.

Shareholder C in Table II, purchasing Shares on an Interim Purchase Date during Year 2 when the net asset value has increased since the beginning of Year 1, pays an Offering Price of \$1,100 per Share (which includes an Equalization Factor of \$20) since the amount of funds he would otherwise have at risk would be \$20 less than the amount of funds at risk of Shareholder A. The Equalization Factor is returned to him and applied to the purchase of additional Shares at the end of Year 2 since the Performance Amount which would accrue to his Shares would be \$20 less than the Performance Amount which accrues to Shareholder A.