

*This Amended and Restated Confidential Offering Memorandum (“Offering Memorandum”) constitutes an offering of securities only in those jurisdictions and to those persons where and to whom they may lawfully be offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or an advertisement for a public offering of these securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered in this Offering Memorandum nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence.*

*No person has been authorized to give any information or to make any representations about the Fund not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon by any investor.*



**PICTON MAHONEY INCOME OPPORTUNITIES FUND**

**Class A and Class F Units  
Class UA and Class UF Units**

**AMENDED AND RESTATED CONFIDENTIAL OFFERING MEMORANDUM**

**March 9, 2015**

The distribution of trust units (“Units”) of the Picton Mahoney Income Opportunities Fund (the “Fund”) pursuant to this Offering Memorandum is exempt from the requirement that the Fund prepares and files a prospectus with securities regulatory authorities. Accordingly, any resale of the Units permitted by the Trust Declaration (as defined below) must be made in accordance with applicable securities laws and which may be subject to resale restrictions. As there is no market for these Units, it may be difficult or even impossible for investors to sell their Units. The securities, however, may be redeemed in accordance with the provisions of this Offering Memorandum. Purchasers are advised to seek legal advice prior to any resale of the Units.

Potential investors should pay particular attention to the information under the heading “Certain Risk Factors” in this Offering Memorandum. An investment in the Fund requires the financial ability and willingness to accept certain risks. No assurance can be given that the investment objectives of the Fund will be achieved or that investors will receive a return of their capital.

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## SUMMARY

The following is a summary of the terms and conditions of an investment in the Picton Mahoney Income Opportunities Fund. This summary is qualified in its entirety by the more detailed information contained in this Offering Memorandum and the information contained in the Trust Declaration (as defined below). Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

### **The Fund**

The one (1) fund offered herein is:

#### **Picton Mahoney Income Opportunities Fund** (the "Fund")

The Fund is an open-ended trust established under the laws of the Province of Ontario by an amended and restated master declaration of trust dated March 9, 2015, as amended, restated or supplemented from time to time (the "Trust Declaration"). Picton Mahoney Asset Management acts as the trustee and the manager (the "Trustee", the "Manager" or "Picton Mahoney") of the Fund pursuant to the Trust Declaration. The Fund is permitted to issue trust units ("Units") in an unlimited number of classes to qualified investors in the provinces and territories of Canada ("Offering Jurisdictions") pursuant to prospectus exemptions.

### **Investment Approach**

Picton Mahoney utilizes an investment process that combines a quantitative approach with fundamental analysis. The Manager believes this combination creates a highly disciplined and repeatable investment process and is the key to successful investing. The Manager employs a multi-factor model that emphasizes factors that have shown to be effective at differentiating between strong and weak performing investment opportunities. These factors include: fundamental change, valuation, growth, default probability, asset volatility and quality. The Manager typically has a shorter investment horizon than other types of fund managers and seeks to generate returns over a short to intermediate time horizon.

### **Investment Objective**

The investment objective of the Fund is to maximize total return, consisting of interest and dividend income and capital appreciation and to provide holders of Units ("Unitholders") with monthly distributions targeted at 5% for 2015. See "Monthly Distribution".

### **Monthly Distribution**

In accordance with the Fund's investment objective to provide Unitholders with monthly distributions, the Fund intends to make monthly distributions to Unitholders of record on the last business day prior to the last Valuation Date (as defined herein) of each month (the "Monthly Distribution"). Monthly Distributions will be paid on a business day designated by the Manager that will be no later than the 15<sup>th</sup> day of the following month. The Fund does not have a fixed Monthly Distribution but will determine and announce each January an expected distribution amount for the following 12 months. The Monthly Distribution for 2015 is targeted to be \$0.0403 per Class A Unit, \$0.0425 per Class F Unit, USD\$0.04167 per Class UA Unit and USD\$0.04167 per Class UF Unit.

Subject to applicable securities legislation, Monthly Distributions will be automatically reinvested in additional Units of the Fund or fractional Units of the Fund at the Class Net Asset Value per Unit. Potential investors should keep this policy in mind when determining whether or not an investment in the Fund is suitable for their particular circumstances. The Manager reserves the right to change such policy, and may elect to have distributions paid in cash.

It is expected that distributions to Unitholders will be characterized as capital gains, dividends and other income. If the return on the Fund (including net realized capital gains from the sale of securities) is less than the amount necessary to fund the Monthly Distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, Net Asset Value per Unit will be reduced. A Unitholder may elect to have Monthly Distributions received from the Fund paid in cash by notifying the Manager.

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular Monthly Distributions made in the year to Unitholders, the Fund will also be required to pay one

or more special distributions in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). See “Canadian Federal Income Tax Considerations”.

There can be no assurance given as to the amount of targeted Monthly Distributions in the future.

### **Investment Strategy**

The Fund will be managed in accordance with the investment approach and the following strategies:

#### *Investing Long in Securities*

Making long investments in securities of issuers identified as attractive investment candidates by the Manager’s investment process. Eligible securities to include but not be limited to government bonds, investment grade corporate bonds, credit-linked notes, high-yield bonds, asset-backed securities, collateralized debt and loan obligations, government agency securities, bonds, convertible bonds, convertible debentures, preferred shares, bank loans, real estate investment trusts, master limited partnerships, equities, income trusts, Canadian royalty trusts, closed-end funds, exchange-traded funds.

#### *Short Selling Securities*

Short selling of securities of issuers identified as unattractive investments by the Manager’s investment process and/or to hedge the market exposure of the Fund’s long positions. Eligible securities to include but not be limited to government bonds, investment grade corporate bonds, credit-linked notes, high-yield bonds, asset-backed securities, collateralized debt and loan obligations, government agency securities, bonds, convertible bonds, convertible debentures, preferred shares, bank loans, real estate investment trusts, master limited partnerships, equities, income trusts, Canadian royalty trusts, exchange-traded funds.

#### *Capital Structure Arbitrage*

A capital structure arbitrage trade combines a long position in an issuer’s senior debt with a short position in its junior debt or common equity using a hedge ratio.

#### *Convertible Arbitrage*

A convertible arbitrage trade combines a long position in an issuer’s convertible securities (convertible bonds, warrants, convertible preferred shares) with a short position in its common equity.

#### *Yield and Credit Curve Arbitrage*

Yield and credit curve trades combine a long position in an issuer’s bond at one maturity with a short position in the bonds of the same issuer at a different maturity.

#### *Fixed Income Arbitrage*

Taking offsetting long and short positions in government bonds and investment grade corporate bonds, government agency securities, swap contracts, and futures and options on fixed income instruments that are mathematically, fundamentally, or historically interrelated.

#### *Pairs Trading*

Taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers. A pairs trade will be made when the Manager feels the long position will appreciate in value when compared to the short position.

#### *Distressed Investments*

Taking long positions in securities (typically bonds and bank debt) that are in turnaround situations, default, under bankruptcy protection, or in distress and heading towards bankruptcy.

### *Special Situations*

Taking long and short positions in securities impacted by event driven situations such as mergers, divestitures, restructurings or other issuer events.

### *Private Placements and IPOs*

Participating in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded and private issuers.

### *Private Company Investments*

Taking long and short positions in private company debt offerings.

### *Derivatives*

The Fund may use derivatives to reduce or hedge against various risks including currency exchange risk associated with its foreign investments, and to obtain investment exposures on positions consistent with its investment objective, strategies and risk management. The derivatives that the Fund may use in this regard are options, swaps, CFDs (Contracts for Difference), futures or forwards. The Fund may also employ various option strategies to increase its income return including, but not limited to, covered call and put writing.

The Canadian dollar value of the Fund's net assets attributable to its Class UA Units and Class UF Units will be hedged back to U.S. dollars using derivatives. Hedging will limit the opportunity for gain as a result of an increase in the Canadian dollar relative to the U.S. dollar.

### *Managing Long and Short Positions*

Managing the relative weightings of long and short positions to achieve the Fund's investment objectives.

### *Leverage*

The Fund is authorized to borrow in order to increase its investment leverage. On average, over time the Fund expects to utilize leverage of two to three times its net assets, up to a maximum of four times its assets, at the time of investment.

### *Investments in other funds managed by the Manager*

The Fund may invest in units of other funds for which the Manager is the manager and/or portfolio manager in accordance with applicable securities laws and with regulatory orders it has obtained.

### **Risk Management**

Picton Mahoney utilizes disciplined risk controlled quantitative techniques to construct portfolios. First, using historical analysis the Manager sets an expected volatility target for the Fund's portfolio. Second, the Manager jointly constructs a long and short portfolio to minimize unwanted risk exposures. The Manager controls for factors including: liquidity, size, sector exposure, industry exposure, position size, and company specific factors. The Fund's portfolio is reviewed and rebalanced on a regular and ongoing basis to maintain the risk reward target.

### **Investment Restrictions**

The Fund is subject to various investment restrictions. See "Risk Management and Investment Restrictions – Investment Restrictions".

## **Price**

Units will be offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. Fractional Units will be issued up to three decimal points.

Class A Units and Class F Units can be purchased in Canadian dollars only and Class UA Units and Class UF Units can be purchased in U.S. dollars only (the U.S. dollar purchase option). Under the U.S. dollar purchase option, the Class Net Asset Value per Unit shall be converted from Canadian dollars to U.S. dollars using an exchange rate on the trade date of the applicable purchase order to determine the number of Class UA Units and/or Class UF Units the purchaser will receive.

## **The Manager**

Picton Mahoney is the Manager of the Fund and is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The Manager is registered with the applicable securities regulatory authorities as an Exempt Market Dealer, Investment Fund Manager, Portfolio Manager and Commodity Trading Manager. The Manager carries out its advisory activities from Toronto, Canada.

Picton Mahoney was formed in 2004 as a portfolio management boutique providing investment management services to institutional clients. Two of the Manager's principals, David Picton and Michael Mahoney, were founding partners at Synergy Asset Management Inc. ("Synergy") in 1997. Their team joined CI Investments Inc. ("CI") when CI purchased Synergy in 2003 and they have continued to act as sub-advisor to the Synergy funds since that time.

## **The Trustee**

Picton Mahoney is the Trustee of the Fund.

## **Units of the Fund**

An investment in the Fund is represented by Units. The Fund is permitted to have an unlimited number of classes of Units (each, a "Class") having such terms and conditions as the Manager may determine. Additional Classes may be offered in future on different terms, including having different fee and dealer compensation terms and different minimum subscription levels. Each Unit of a Class represents an undivided ownership interest in the net assets of the Fund attributable to that Class of Units. The Fund will consult with its tax advisors prior to the establishment of each new Class to ensure that the issuance of Units of the Class will not have adverse Canadian tax consequences. Four (4) Classes of Units of the Fund are offered under this Offering Memorandum.

**Class A Units and Class UA Units** are designed for investors investing \$25,000 or USD \$25,000, respectively, or more, who are not eligible to purchase Class F Units or Class UF Units. Class UA Units are more suitable for investors who want to invest in the Fund in U.S. dollars and minimize the effect of the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar while achieving similar performance and returns to the Class A Units. See "Units of the Fund – Classes of Units".

**Class F Units and Class UF Units** are designed for investors who are enrolled in a dealer-sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs, investing \$25,000 or USD\$25,000, respectively, or more. Class UF Units are more suitable for investors who want to invest in the Fund in U.S. dollars and minimize the effect of the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar while achieving similar performance and returns to the Class F Units. See "Units of the Fund – Classes of Units".

The Fund issues Class I Units, including to other funds managed by the Manager, which are not charged management fees or performance fees.

## **Expenses**

The Manager paid for the costs of initially organizing the Fund and offering the Units, including the fees and expenses of counsel and the Fund's auditors.

The Fund will pay for all routine and customary expenses relating to the Fund's operation, including registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of Units

including securities filing fees (if any), expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. In addition, the Fund will pay for expenses associated with ongoing investor relations and education relating to the Fund.

### **Management Fee**

For providing its services to the Fund, the Manager receives a management fee (the "Management Fee") from the Fund attributable to the Class A Units, Class UA Units, Class F Units and Class UF Units, respectively. Each Class of Units is responsible for the Management Fee attributable to that Class.

The Class A Units and Class UA Units are charged a Management Fee equal to 0.50% per quarter (2.00% per annum) of the Net Asset Value of the Class A Units or the Class UA Units, as the case may be, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Class F Units and Class UF Units are charged a Management Fee equal to 0.25% per quarter (1.00% per annum) of the Net Asset Value of the Class F Units or the Class UF Units, as the case may be, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Management Fee payable in respect of the Class UA Units or the Class UF Units is payable in Canadian dollars and is equal to the applicable percentage indicated above of the Canadian dollar equivalent of the Net Asset Value of the applicable Class of Units on the applicable Valuation Date.

### **Performance Fee**

The Manager receives a performance fee (the "Performance Fee") from the Fund attributable to the Class A Units, Class UA Units, Class F Units and Class UF Units, respectively. Each Class of Units is responsible for the Performance Fee, if any, attributable to that Class. Each Class is charged a performance fee equal to 20% of the amount by which the performance of the Fund exceeds an annual hurdle rate of return equal to 5% for the Class A Units, the Class UA Units, the Class F Units or the Class UF Units, as the case may be, plus applicable taxes. The Performance Fee shall be calculated and accrued on each Valuation Date and shall be payable at the end of each calendar quarter.

The Performance Fee payable in respect of the Class UA Units or the Class UF Units is calculated as indicated above using the U.S. dollar value of the Net Asset Value of the applicable Class of Units on the applicable Valuation Date, such U.S. dollar value to be determined using an exchange rate on the applicable Valuation Date.

See "Fees and Expenses – Performance Fee".

### **Dealer Compensation**

Registered dealers ("Dealers") who distribute Units may be paid a sales commission of up to 5.00%, which will be deducted from the purchase order and paid by the investor to the Dealer. Sales commissions may be negotiated between the Dealer and the investor.

The Manager will pay Dealers servicing commissions as compensation for ongoing advice and service in respect to Class A Units and Class UA Units. The servicing commissions are accrued on each Valuation Date and are paid quarterly at a current annual rate of 1.00% of the Class Net Asset Value of the Class A Units and Class UA Units held by clients of the Dealer. The servicing commissions payable in respect of the Class UA Units is payable in U.S. dollars and is calculated based on the U.S. dollar value of the Class Net Asset Value of the Class UA Units on the applicable Valuation Date, such U.S. dollar value to be determined using an exchange rate on the applicable Valuation Date.

In addition, the Manager will pay an amount equal to a portion of its Performance Fee, if any, to Dealers with client assets invested in Class A Units, Class UA Units, Class F Units and Class UF Units. Dealers will be paid an amount equal to 10% of the Manager's Performance Fee, if any, attributable to their clients' investment in Class A Units, Class UA Units, Class F Units and Class UF Units. The foregoing payment shall be to the extent permitted by applicable securities legislation.

See "Dealer Compensation".

### **Purchase of Units**

Investors may be admitted to the Fund or may acquire additional Units on a weekly basis (i) as of the last Business Day (any day on which the Toronto Stock Exchange (“TSX”) is open for trading is hereinafter referred to as a “Business Day”) of each calendar week with respect to the Class A Units and Class F Units, and (ii) as of the second last Business Day of each calendar week with respect to the Class UA Units and Class UF Units. Units of the Fund are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date.

Units of the Fund may be purchased in either Canadian dollars or U.S. dollars (the U.S. dollar purchase option). Class A Units and Class F Units can be purchased with Canadian dollars only, while Class UA Units and Class UF Units can be purchased with U.S. dollars only. For the purchase of Class UA Units or Class UF Units using the U.S. dollar purchase option, the Fund will convert the Class Net Asset Value of the applicable Class to U.S. dollars using an exchange rate on the trade date of the purchase order to determine the number of Class UA Units and/or Class UF Units purchased. See “Investing in Units of the Fund”.

### **Minimum Investment**

The minimum initial investment in the Fund is \$25,000 for Class A Units and Class F Units respectively and USD\$25,000 for Class UA Units and Class UF Units respectively, and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of \$5,000 for Class A Units and Class F Units respectively and USD\$5,000 for Class UA Units and Class UF Units respectively, subject to applicable securities legislation. See “Investing in Units of the Fund”.

### **Redemptions**

Units may be surrendered to the Manager for redemption at any time. A Unitholder may have his or her Units redeemed on any Valuation Date at the Class Net Asset Value per Unit as of that Valuation Date. If the Units redeemed are Class UA Units or Class UF Units, the payment of redemption proceeds will be in U.S. dollars. Under certain circumstances, the Manager is entitled to suspend or restrict rights of redemption. See “Redemption of Units”.

### **Short-Term Trading Deduction**

In order to protect the interest of the majority of investors in the Fund and to discourage short-term trading in the Fund, investors may be subject to a short-term trading deduction. If an investor redeems Units of the Fund within 120 days of purchasing such Units, the Fund may deduct and retain, for the benefit of the remaining Unitholders in the Fund, five percent (5%) of the Class Net Asset Value of the Units being redeemed. The short-term trading deduction payable in respect of the Class A Units or the Class F Units are payable in Canadian dollars and the short-term trading deduction payable in respect of the Class UA Units or the Class UF Units is payable in U.S. dollars. See “Redemptions of Units – Short-Term Trading Deductions”.

### **Transfers of Units**

No transfers of Units of the Fund may be made other than by operation of law or with the consent of the Manager. Units will also be subject to certain resale restrictions under applicable securities laws.

### **Valuation**

The Fund’s net asset value (the “Net Asset Value”) is calculated as the value of the Fund’s assets, less its liabilities, computed on a particular date in accordance with the Trust Declaration. The Administrator of the Fund (or such other person or entity designated by the Manager) will calculate the Net Asset Value of the Fund as of the last Business Day of each week, at the close of regular trading on the TSX, normally 4:00 p.m. (Eastern time) (each, a “Valuation Date”).

The Class Net Asset Value per Unit on a Valuation Date is obtained by dividing the value of the assets of the Fund less the amount of its liabilities, in each case attributable to that Class, by the total number of Units of the Class outstanding at the close of business on the Valuation Date and adjusting the result to a maximum of three decimal places.

The Class Net Asset Value for the Class UA Units and Class UF Units, which are purchased and redeemed only in U.S. dollars, is obtained by converting the Canadian dollar value of the Fund’s net assets attributable to its Class UA Units or Class UF Units to U.S. dollars using the exchange rate available on the applicable Valuation Date on which the Class Net Asset Value is being determined and then adjusted for the value of the currency forward hedges entered into solely

in respect of such Units in order to minimize the effect of currency movements between the Canadian dollar and the U.S. dollar. The Class Net Asset Value per Class UA Unit or Class UF Unit is the U.S. dollar value of such net assets, as adjusted, divided by the number of such Class UA Units or Class UF Units, as applicable, outstanding at that Valuation Date.

See “Determination of Net Asset Value”.

### **Distributions**

The Fund intends to distribute sufficient net income and net realized capital gains, if any, to Unitholders in each calendar year to ensure that the Fund is not liable for income tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”), after taking into account any loss carry forwards and capital gains refunds. All distributions (other than Fee Distributions described in “Fees and Expenses”) will be made on a *pro rata* basis within each Class to each registered Unitholder determined as of the close of business on the last Valuation Date prior to the date of the distribution. See “Distributions”.

### **Tax Consequences**

A prospective Unitholder should consider carefully all of the potential tax consequences of an investment in the Units and should consult with their tax advisor before subscribing for Units. For a discussion of certain income tax consequences of this investment, see “Canadian Federal Income Tax Considerations”.

### **Eligibility for Investment**

Provided the Fund qualifies as a “mutual fund trust” for purposes of the Tax Act, Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

Notwithstanding the foregoing, the holder of a tax-free savings account, or the annuitant of a registered retirement savings plan or a registered retirement income fund, (each, a “Plan Holder”) will be subject to a penalty tax in respect of Units held in such account, plan or fund if such Units are a “prohibited investment” for the purposes of the Tax Act. Plan Holders should consult their own tax advisors with respect to whether Units would be “prohibited investments” for their tax-free savings accounts, registered retirement savings plans or registered retirement income funds and the tax consequences of Units being acquired or held by trusts governed by such accounts, plans or funds.

See “Eligibility for Investment”.

### **Risk Factors**

The Fund is subject to various risk factors. See “Certain Risk Factors”.

### **Fiscal Year**

The Fund’s fiscal year will end on December 31<sup>st</sup> of each year.

### **Reports**

Unitholders will be sent audited annual financial statements within 90 days of the Fund’s fiscal year-end and unaudited semi-annual financial statements within 60 days of June 30<sup>th</sup>, or as otherwise required by law. Additional interim reporting to Unitholders will be at the discretion of the Manager. The Fund may enter into other agreements with certain Unitholders which may entitle such Unitholders to receive additional reporting. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings.

## **PICTON MAHONEY INCOME OPPORTUNITIES FUND**

### **SECTION 1 – PICTON MAHONEY INCOME OPPORTUNITIES FUND**

The one (1) fund offered herein is:

#### **Picton Mahoney Income Opportunities Fund** (the “Fund”)

The Fund is an open-ended trust established under the laws of the Province of Ontario by an amended and restated master declaration of trust dated as of March 9, 2015, as amended, restated or supplemented from time to time (the “Trust Declaration”). Picton Mahoney Asset Management acts as the trustee and the manager (the “Trustee”, the “Manager” or “Picton Mahoney”) of the Fund pursuant to the Trust Declaration. The office of the Fund and of the Manager is located at 33 Yonge Street, Suite 830, Toronto, Ontario Canada M5E 1G4. The Fund is permitted to issue trust units (“Units”) in an unlimited number of classes pursuant to the Trust Declaration. The description of provisions of the Trust Declaration contained herein is subject to and qualified in its entirety by the Trust Declaration.

### **SECTION 2 – INVESTMENT APPROACH, OBJECTIVE AND STRATEGIES**

#### **2.1 Investment Approach**

Picton Mahoney utilizes an investment process that combines a quantitative approach with fundamental analysis. The Manager believes this combination creates a highly disciplined and repeatable investment process and is the key to successful investing. The Manager employs a multi-factor model that emphasizes factors that have shown to be effective at differentiating between strong and weak performing investment opportunities. These factors include: fundamental change, valuation, growth, default probability, asset volatility and quality. The Manager typically has a shorter investment horizon than other types of fund managers and seeks to generate returns over a short to intermediate time horizon.

#### **2.2 Investment Objective and Strategies**

##### **Investment Objective**

The investment objective of the Fund is to maximize total return, consisting of interest and dividend income and capital appreciation and to provide holders of Units (“Unitholders”) with monthly distributions targeted at 5% for 2015. See “Monthly Distribution”.

##### **Monthly Distribution**

The Fund intends to make monthly distributions (the “Monthly Distribution”) to Unitholders of record on the last Business Day prior to the last Valuation Date (as defined herein) of each month (each, a “Monthly Distribution Record Date”). Monthly Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15<sup>th</sup> day of the following month (each, a “Monthly Distribution Payment Date”). The Fund does not have a fixed Monthly Distribution but will determine and announce each January an expected distribution amount for the following 12 months. The Monthly Distribution for 2015 is targeted to be \$0.0403 per Class

A Unit, \$0.0425 per Class F Unit, USD\$0.04167 per Class UA Unit and USD\$0.04167 per Class UF Unit.

Subject to applicable securities legislation, Monthly Distributions will be automatically reinvested in additional Units of the Fund or fractional Units of the Fund at the Class Net Asset Value per Unit. Potential investors should keep this policy in mind when determining whether an investment in the Fund is suitable for their particular circumstances. The Manager reserves the right to change such policy, and may elect to have the distributions paid in cash.

It is expected that distributions to Unitholders will be characterized as capital gains, dividends and other income. If the return on the Fund (including net realized capital gains from the sale of securities) is less than the amount necessary to fund the Monthly Distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, Class Net Asset Value per Unit will be reduced. There can be no assurance that the Fund will be able to achieve its Monthly Distribution objective or make payments on any Monthly Distribution Payment Date. A Unitholder may elect to have Monthly Distributions received from the Fund paid in cash by notifying the Manager.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Canadian Federal Income Tax Considerations".

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the Monthly Distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). See "Canadian Federal Income Tax Considerations".

There can be no assurance given as to the amount of targeted Monthly Distributions in the future.

### **Investment Strategies**

The Fund will be managed in accordance with the investment approach and the following strategies:

#### ***Investing Long in Securities***

Making long investments in securities of issuers identified as attractive investment candidates by the Manager's investment process. Eligible securities to include but not be limited to government bonds, investment grade corporate bonds, credit-linked notes, high-yield bonds, asset-backed securities, collateralized debt and loan obligations, government agency securities, bonds, convertible bonds, convertible debentures, preferred shares, bank loans, real estate investment trusts, master limited partnerships, equities, income trusts, Canadian royalty trusts, closed-end funds, exchange-traded funds.

#### ***Short Selling Securities***

Short selling of securities of issuers identified as unattractive investments by the Manager's investment process and/or to hedge the market exposure of the Fund's long positions. Eligible securities to include but not be limited to government bonds, investment grade corporate bonds,

credit-linked notes, high-yield bonds, asset-backed securities, collateralized debt and loan obligations, government agency securities, bonds, convertible bonds, convertible debentures, preferred shares, bank loans, real estate investment trusts, master limited partnerships, equities, income trusts, Canadian royalty trusts, exchange-traded funds.

### ***Capital Structure Arbitrage***

A capital structure arbitrage trade combines a long position in an issuer's senior debt with a short position in its junior debt or common equity using a hedge ratio.

### ***Convertible Arbitrage***

A convertible arbitrage trade combines a long position in an issuer's convertible securities (convertible bonds, warrants, convertible preferred shares) with a short position in its common equity.

### ***Yield and Credit Curve Arbitrage***

Yield and credit curve trades combine a long position in an issuer's bond at one maturity with a short position in the bonds of the same issuer at a different maturity.

### ***Fixed Income Arbitrage***

Taking offsetting long and short positions in government bonds and investment grade corporate bonds, government agency securities, swap contracts, and futures and options on fixed income instruments that are mathematically, fundamentally, or historically interrelated.

### ***Pairs Trading***

Taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers. A pairs trade will be made when the Manager feels the long position will appreciate in value when compared to the short position.

### ***Distressed Investments***

Taking long positions in securities (typically bonds and bank debt) that are in turnaround situations, default, under bankruptcy protection, or in distress and heading towards bankruptcy.

### ***Special Situations***

Taking long and short positions in securities impacted by event driven situations such as mergers, divestitures, restructurings or other issuer events.

### ***Private Placements and IPOs***

Participating in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded and private issuers.

### ***Private Company Investments***

Taking long and short positions in private company debt offerings.

### ***Derivatives***

The Fund may use derivatives to reduce or hedge against various risks including currency exchange risk associated with its foreign investments, and to obtain investment exposures on positions consistent with its investment objective, strategies and risk management. The derivatives that the Fund may use in this regard are options, swaps, CFDs (Contracts for Difference), futures or forwards. The Fund may also employ various option strategies to increase its income return including, but not limited to, covered call and put writing.

The Canadian dollar value of the Fund's net assets attributable to its Class UA Units and Class UF Units will be hedged back to U.S. dollars using derivatives. The returns on the Class UA Units and Class UF Units will differ from the returns on the Fund's other Classes of Units because the entire effect of this currency hedging, as well as the costs associated with employing the hedging strategy, will be reflected only in the Class Net Asset Values of the Class UA Units and Class UF Units. Hedging will limit the opportunity for gain as a result of an increase in the Canadian dollar relative to the U.S. dollar. Therefore, generally, the Class UA Units and Class UF Units will not benefit from an increase in the value of the Canadian dollar against the U.S. dollar.

### ***Managing Long and Short Positions***

Managing the relative weightings of long and short positions to achieve the Fund's investment objectives.

### ***Leverage***

The Fund is authorized to borrow in order to increase its investment leverage. On average, over time the Fund expects to utilize leverage of two to three times its net assets, up to a maximum of four times its assets, at the time of investment.

### ***Investments in other funds managed by the Manager***

The Fund may invest in units of other funds for which the Manager is the manager and/or portfolio manager (the "Underlying Funds") in accordance with applicable securities laws and with regulatory orders it has obtained. Such investment, which may result in the Fund holding units representing more than 10% of either the votes attaching to the outstanding units of an Underlying Fund or the outstanding units of that Underlying Fund, may only be made if the Manager determines that an investment in the Underlying Fund is consistent with the investment objectives, investment strategies and investment restrictions of the Fund and in the best interests of the Fund. It is expected that the Fund will not invest more than 10% of its assets in an Underlying Fund, but may invest up to all of its assets in an Underlying Fund if the Manager determines that it is in the best interests of the Fund. The investment by the Fund in units of an Underlying Fund will not result in any duplication of management fees and performance fees to the Fund or the investors of the Fund and the Manager will not receive any management fees or performance fees in respect of the units of the Underlying Fund to be purchased by the Fund.

### ***Statutory Caution***

The foregoing disclosure of the Manager's investment strategies and intentions may constitute "forward-looking information" for the purpose of Ontario securities legislation, as it contains statements of the Manager's intended course of conduct and future operations of the Fund. These statements are based on assumptions made by the Manager of the success of its investment strategies in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are urged to read "Certain Risk Factors" below for a discussion of other factors that will impact the operations and success of the Fund.

## **SECTION 3 – RISK MANAGEMENT AND INVESTMENT RESTRICTIONS**

### **3.1 Risk Management**

Picton Mahoney utilizes disciplined risk controlled quantitative techniques to construct portfolios. First, using historical analysis the Manager sets an expected volatility target for the Fund's portfolio. Second, the Manager jointly constructs a long and short portfolio to minimize unwanted risk exposures. The Manager controls for factors including: liquidity, size, sector exposure, industry exposure, position size, and company specific factors. The Fund's portfolio is reviewed and rebalanced on a regular and ongoing basis to maintain the risk reward target.

### **3.2 Investment Restrictions**

The investment activities of the Fund will be conducted in accordance with certain restrictions, which include the following:

#### ***Sole Undertaking***

The Fund will not engage in any undertaking other than the investment of the Fund's assets in accordance with the Fund's investment objective and investment strategies.

#### ***Fixed Price***

The Fund will not purchase any security which may by its terms require the Fund to make a contribution in addition to the payment of the purchase price (other than pursuant to a permitted derivative transaction), provided that such restriction will not apply to the purchase of securities which are paid for on an installment basis where the total purchase price and the amount of all such installments are fixed at the time the first installment is paid.

#### ***Interest of Manager***

The Fund will not purchase securities from, or sell securities to, the Manager or any of its affiliates or any individual who is a partner, director or officer of any of them, any employee of the Manager or any portfolio managed by the Manager. The Fund may, however, purchase units of other funds managed by the Manager, in accordance with applicable securities laws and with regulatory orders it has obtained. It is expected that the Fund will not invest more than 10% of its

assets in such other funds, but may do so if the Manager determines that it is in the best interest of the Fund.

### ***Commodities***

The Fund may not purchase any physical commodity.

### ***Control Restrictions***

Except as described herein and as may be permitted by applicable securities laws or regulatory relief therefrom, the Fund will not purchase a security of an issuer if, immediately after the purchase, the Fund would hold securities representing more than 10% of either the votes attaching to the outstanding securities of that issuer or the outstanding equity securities of that issuer, or purchase a security for the purpose of exercising control over or management of the issuer of the security. If the Fund acquires a security other than as the result of a purchase and the acquisition results in the Fund exceeding the 10% limit described in this paragraph, the Fund will, as quickly as is commercially reasonable (and in any event within 90 days of the acquisition), reduce their holdings of those securities so that they do not hold securities exceeding such limits.

### ***Foreign Investment Proposals***

The Fund will not invest in (i) an interest in a trust (or partnership which holds such interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to section 94.2 of the *Income Tax Act* (Canada) (the “Tax Act”); or (ii) the securities of any non-resident corporation, trust or other non-resident entity if the Fund would be required to include an amount in income pursuant to section 94.1 Tax Act (or amendments to such provisions as enacted into law or successor provisions thereto).

## **SECTION 4: MANAGEMENT OF THE FUND**

### **4.1 The Manager**

Picton Mahoney is the Manager of the Fund and is responsible for the day-to-day business of the Fund, including the management of the Fund’s investment portfolio. The Manager was formed under the laws of Ontario in 2004, to provide investment management services to the Canadian marketplace. The Manager is registered with the applicable securities regulatory authorities as an Exempt Market Dealer, Investment Fund Manager, Portfolio Manager and Commodity Trading Manager. The Manager carries out its advisory activities from 33 Yonge Street, Suite 830, Toronto, Ontario, Canada M5E 1G4.

Picton Mahoney was formed in 2004 as a portfolio management boutique providing investment management services to institutional clients. Two of the Manager’s principals, David Picton and Michael Mahoney, were founding partners at Synergy Asset Management Inc. (“Synergy”) in 1997. Their team joined CI Investments (“CI”) when CI purchased Synergy in 2003 and they have continued to act as sub-advisor to the Synergy funds since that time.

Pursuant to the Trust Declaration, the Manager has authority to manage the business and affairs of the Fund and has authority to bind the Fund. The Manager will be responsible for managing the assets of the Fund, will have complete discretion to invest and reinvest the Fund’s assets, and will be responsible for executing all portfolio transactions. The Manager may delegate its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the

Fund to do so. The Manager is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonable prudent person in comparable circumstances. Among its other powers, the Manager may establish the Fund's operating expense budgets and authorize the payment of operating expenses.

The Trust Declaration provides that the Manager and certain affiliated parties have a right of indemnification from the Fund for legal fees, judgments and amounts paid in settlement incurred in carrying out their duties under the Trust Declaration, except in certain circumstances, including where there has been gross negligence, lack of good faith or wilful default on the part of the Manager or the Manager has failed to fulfill its standard of care as set out in the Trust Declaration. In addition, the Trust Declaration contains provisions limiting the liability of the Manager.

Pursuant to the Trust Declaration, the Manager may resign upon 90 days' written notice to the Unitholders of the Fund. The Manager must appoint a successor, which appointment must be approved by a majority of the Unitholders unless the successor is an affiliate of the Manager. If no successor Manager is appointed or if Unitholders fail to approve a successor the Fund shall be terminated.

***Officers and Directors of the Manager***

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

<b>Name and Municipality of Residence</b>	<b>Office</b>	<b>Principal Occupation(s)</b>
David Picton Toronto, Ontario	Member of the Executive Committee, President and Chief Executive Officer	Member of the Executive Committee, President and Chief Executive Officer
Michael Mahoney Goodwood, Ontario	Member of the Executive Committee, Managing Director and Chief Risk Officer	Member of the Executive Committee, Managing Director and Chief Risk Officer
Art Galloway Toronto, Ontario	Member of the Executive Committee, Chief Financial Officer, Chief Operating Officer, Chief Compliance Officer and Corporate Secretary	Member of the Executive Committee, Chief Financial Officer, Chief Operating Officer, Chief Compliance Officer and Corporate Secretary
Dean Shepard Vancouver, British Columbia	Managing Director	Director of Sales
James Lawson Oakville, Ontario	Partner	Portfolio Manager
Michael Kimmel Toronto, Ontario	Partner	Portfolio Manager
Michael Kuan	Partner	Portfolio Manager

<b>Name and Municipality of Residence</b>	<b>Office</b>	<b>Principal Occupation(s)</b>
Toronto, Ontario		
Phil Mesman Oakville, Ontario	Partner	Portfolio Manager

### **David Picton**

David Picton, President and Chief Executive Officer of Picton Mahoney, has 26 years of investment experience, including eight years as a top-ranked analyst and head of quantitative research at RBC Dominion Securities Inc. Mr. Picton has managed portfolios for Synergy since 1997, including the Synergy Canadian Class. Mr. Picton is a graduate of the University of British Columbia with a Bachelor of Commerce Honours degree. He also received a Leslie Wong Fellowship from UBC's prestigious Portfolio Management Foundation.

### **Michael Mahoney**

Michael Mahoney, a principal of Picton Mahoney, has 25 years of investment management experience. He began his investment career at the Alberta Treasury as a U.S. equities analyst. He later became a portfolio manager of U.S. and international equities at Genus Capital Management Inc. and a research manager at HSBC Asset Management Europe, a U.K.-based firm. He has managed global portfolios for Synergy since 1997. Mr. Mahoney is a CFA charterholder and has an MBA from the University of Alberta.

### **Arthur Galloway**

Arthur Galloway, Chief Compliance Officer, Chief Financial Officer, Chief Operating Officer and Corporate Secretary of Picton Mahoney, is responsible for company-wide financial operations, internal financial control and internal and external financial reporting. He is also responsible for the financial oversight and administration of Picton Mahoney's alternative investment funds. Before joining Picton Mahoney, he spent 10 years with Investors Financial Services, most recently as a Director, where his clients included numerous global asset management firms. He holds a Bachelor of Business degree in Finance from Brock University and is a CFA charterholder.

### **Dean Shepard**

Dean Shepard, Managing Director of Picton Mahoney, has 23 years of investment experience. He began his investment career in trading and investment advisory and then brought this understanding of the service side of the business to his role as Vice-President, Regional Sales with Synergy in 1998. With his strong understanding of both wealth and asset management, Dean was soon promoted to head up national sales for Synergy. In 2003, he joined Rockwater Asset Management Inc. ("Rockwater") and provided leadership for Rockwater's asset management and wealth management subsidiaries. He worked as Senior Vice-President and Director, National Sales and Marketing for Rockwater and also as Senior Vice-President and Director, British Columbia Regional Manager for Blackmont Capital Inc., Rockwater's investment dealer. Dean holds a Bachelor of Arts degree in Economics from the University of British Columbia and is a CFA charterholder.

### **James Lawson**

James Lawson has been a Canadian Equity Portfolio Manager for 19 years. Prior to joining Picton Mahoney Asset Management, he was senior member of the investment management team at KBSH Capital Management Inc. James has also managed retail and institutional portfolios at Guardian Capital and Bank of Montreal and was a software analyst at Merrill Lynch. His other business experience includes eight years as a strategy consultant. James has an MBA from York University and an Honours Bachelor of Arts from the University of Western Ontario.

### **Michael Kimmel**

Michael Kimmel has spent 16 years in the investment industry. Prior to joining the Picton Mahoney team in July 2002, Mr. Kimmel was an analyst at UBS Global Asset Management (Canada) Inc. Michael has also served as an associate at N M Rothschild & Sons Canada, a boutique investment bank specializing in mergers and acquisitions. He has an Honours Bachelor of Commerce degree from McGill University and is a CFA charterholder.

### **Michael Kuan**

Michael Kuan has spent 17 years in the investment industry. Prior to joining Picton Mahoney, Michael was a market risk manager at Scotia Capital Inc. Mr. Kuan is a CFA charterholder and has a MBA from the University of Toronto. His current sector focus is on non-North American equities.

### **T. Philip Mesman**

Philip Mesman has 19 years of investment industry experience specializing in income-oriented securities. Prior to joining Picton Mahoney, Phil was Managing Director and Portfolio Manager at HIM Money Inc., a subsidiary of Harris Investments Management Inc. Mr. Mesman's other previous experience includes portfolio management, quantitative and credit analytics and trading through positions at Scotiabank, Merrill Lynch Canada Inc. and Greywolf Capital Inc. Phil earned a B.A. in Economics from the University of Western Ontario and is a CFA charterholder.

Each of the above officers, directors and/or substantial securityholder(s) of the Manager may each individually, or together in the aggregate, have a significant interest in an Underlying Fund through investments made in units of such Underlying Fund. In addition, each officer and/or director of the Manager may also be a substantial securityholder of the Manager.

## **4.2 The Trustee**

Picton Mahoney acts as the trustee of the Fund pursuant to the Trust Declaration. The Trustee has those powers and responsibilities in respect of the Fund as described in the Trust Declaration. The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Pursuant to the Trust Declaration, the Manager may remove the Trustee and appoint a successor trustee from time to time on 90 days' written notice or in certain other circumstances. The Trustee or any successor appointed pursuant to the terms of the Trust Declaration may resign upon 90 days' written notice to the Manager, who shall use its best efforts to appoint a successor trustee. If no successor Trustee is appointed the Fund shall be terminated.

The Trust Declaration provides that the Trustee and its affiliates have a right of indemnification from the Fund, and to the extent that the assets of the Fund are insufficient to satisfy such right, from the Manager, for any claims arising out of the execution of its duties as trustee, except in cases of negligence, willful default or bad faith on the part of the Trustee. In addition, the Trust Declaration contains provisions limiting the liability of the Trustee.

### **4.3 Conflict of Interest**

#### ***Services of the Manager not Exclusive to the Fund***

The services of the Manager and its partners, and their respective directors, officers, employees, agents and associates are not exclusive to the Fund. The Manager and its partners, and any of their respective directors, officers, employees, agents and associates may, at any time, engage in the promotion, management or portfolio management of any other fund or trust (including any Underlying Funds) and provide similar services to other investment funds and other clients and engage in other activities. While the Manager and its partners and their respective directors, officers, employees, agents and associates devote as much of their respective time and resources to the activities of the Fund as in their respective judgment is reasonably required, they will not be devoting their time exclusively to the affairs of the Fund. The Manager and its partners and their respective directors, officers, employees, agents and associates will therefore have conflicts of interest in allocating management time, services and functions among the Fund and such other persons for which it provides services (including any Underlying Funds). However, at all times the Manager will ensure a fair and equitable allocation of its management time, services and functions between the Fund and any other such persons to whom it provides services.

#### ***Allocation of Investment Opportunities***

Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Fund and for one or more of its other clients (including any Underlying Funds). If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will generally be effected on an equitable basis. However, the Manager may determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others, including the Fund, due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. The Manager may also occasionally determine it to be necessary to allocate limited investment opportunities among the Fund and any other funds or managed accounts under its responsibility (including any Underlying Funds), on a basis deemed appropriate by the Manager. Certain funds or managed accounts may therefore show a gain or a loss that would otherwise not be present within other funds or accounts managed by the Manager.

#### ***Conflicts of Interest Policy***

The Manager is an Exempt Market Dealer, an Investment Fund Manager, a Portfolio Manager and a Commodity Trading Manager. Additionally, the Fund may invest in units of the Underlying Funds for which the Manager is the manager and/or portfolio manager in accordance with applicable securities laws and with regulatory orders it has obtained. As a result, there are potential conflicts of interest that could arise in connection with the Manager acting in its capacities as Exempt Market Dealer, Investment Fund Manager, Portfolio Manager and

Commodity Trading Manager and as the manager and/or portfolio manager of both the Fund and the Underlying Funds.

The Manager has adopted a conflict of interest policy to address and minimize those potential conflicts of interest. The policy states that the Manager will deal fairly, honestly and in good faith with all clients (including the Fund and the Underlying Funds) and not advantage one client over another. The securities laws of the Province of Ontario require securities dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities. Clients and customers should refer to the applicable provisions of these securities laws for the particulars of these rules and their rights or consult with a legal adviser. The Fund is a related issuer and a connected issuer of the Manager within the meaning of applicable Canadian securities legislation.

### ***Interest of the Manager and Responsible Persons of Manager in Underlying Funds***

The Manager and its partners, and their respective directors, officers, employees, agents and associates of the Manager who have access to, or participate in formulating and making decisions on behalf of the Fund or advice to be given to the Fund (each, a “Responsible Person”) or affiliates of such Responsible Persons are also partners, directors or officers of the Underlying Funds.

The Fund’s investment in an Underlying Fund creates a potential conflict of interest for the Manager relating to the voting of the units of the Underlying Fund held by the Fund in that certain officers and directors of the Manager may be a substantial security holder of the Manager and also may have a significant interest in the Underlying Fund. The Manager intends to address this potential conflict of interest by not voting any units of the Underlying Fund held by the Fund (should the requirement for a vote arise); rather, the Manager may make arrangements to permit Unitholders of the Fund to exercise the votes attaching to the Fund’s investment in the Underlying Fund.

The investment by the Fund in units of an Underlying Fund will not result in any duplication of management fees and performance fees to the Fund or the investors of the Fund and the Manager will not receive any management fees or performance fees in respect of the units of the Underlying Fund to be purchased by the Fund. In executing a subscription agreement for Units of the Fund, investors will acknowledge the multiple roles of the Responsible Persons and consent to the investment by the Fund in the units of any Underlying Funds.

## **SECTION 5 – UNITS OF THE FUND**

### **5.1 Classes of Units**

An investment in the Fund is represented by Units. The Fund is permitted to have an unlimited number of classes of Units (each, a “Class”) having such terms and conditions as the Manager may determine. Additional Classes may be offered in future on different terms, including having different fee and dealer compensation terms and different minimum subscription levels. Each Unit of a Class represents an undivided ownership interest in the net assets of the Fund attributable to that Class of Units. The Fund will consult with its tax advisors prior to the establishment of each new Class to ensure that the issuance of Units of the Class will not have

adverse Canadian tax consequences. Four (4) Classes of Units of the Fund are offered under this Offering Memorandum.

**Class A Units and Class UA Units** are designed for investors investing \$25,000 or USD \$25,000, respectively, or more, who are not eligible to purchase Class F Units or Class UF Units. Class UA Units are more suitable for investors who want to invest in the Fund in U.S. dollars. The Canadian dollar value of the Fund's net assets attributable to its Class UA Units will be hedged back to U.S. dollars using derivative instruments such as foreign currency forward contracts in an attempt to minimize the effect of the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar and to achieve substantially similar performance and returns between the Class UA Units and Class A Units. However, the returns on the Class UA Units will differ from the returns on the Class A Units because the entire effect of this currency hedging, as well as the costs associated with employing the hedging strategy (such as derivative transaction costs and incentive fees), will be reflected in the Class Net Asset Values of the Class UA Units and not the Class A Units. As such, Class UA Units are intended for investors who wish to invest in the Fund, which is a Canadian denominated fund, in U.S. dollars but wish to minimize the effect of the fluctuations in exchange rate between the U.S. and Canadian currencies. There may be circumstances where the Fund may not be able to fully hedge at all times its Canadian dollar exposure back to U.S. dollars in respect of Class UA Units, in which case the fluctuations in exchange rate between the U.S. and Canadian currencies will affect the returns of the Class UA Units. Class UA Units are not suitable for investors who want to speculate on changes in the exchange rate between the Canadian dollar and U.S. dollar. See "*Certain Risk Factors – Foreign Currency Exposure*".

**Class F Units and Class UF Units** are designed for investors who are enrolled in a dealer-sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs, investing \$25,000 or more. Class UF Units are more suitable for investors who want to invest in the Fund in U.S. dollars. The Canadian dollar value of the Fund's net assets attributable to its Class UF Units will be hedged back to U.S. dollars using derivative instruments such as foreign currency forward contracts in an attempt to minimize the effect of the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar and to achieve substantially similar performance and returns between the Class UF Units and Class F Units. However, the returns on the Class UF Units will differ from the returns on the Class F Units because the entire effect of this currency hedging, as well as the costs associated with employing the hedging strategy (such as derivative transaction costs and incentive fees), will be reflected in the Class Net Asset Values of the Class UF Units and not the Class F Units. As such, Class UF Units are intended for investors who wish to invest in the Fund, which is a Canadian denominated fund, in U.S. dollars but wish to minimize the effect of the fluctuations in exchange rate between the U.S. and Canadian currencies. There may be circumstances where the Fund may not be able to fully hedge at all times its Canadian dollar exposure back to U.S. dollars in respect of Class UF Units, in which case the fluctuations in exchange rate between the U.S. and Canadian currencies will affect the returns of the Class UF Units. Class UF Units are not suitable for investors who want to speculate on changes in the exchange rate between the Canadian dollar and U.S. dollar. See "*Certain Risk Factors – Foreign Currency Exposure*".

The Fund issues Class I Units, including to other funds managed by the Manager, which are not charged management fees or performance fees.

Class A Units, Class UA Units, Class F Units, Class UF Units and Class I Units, together with each future Class, are referred to collectively as the "Classes."

Although the money invested by investors to purchase Units of any Class of the Fund is tracked on a Class by Class basis in the Fund's administration records, the assets of all Classes of the Fund will be combined into a single pool to create one portfolio for investment purposes.

All Units of the same Class have equal rights and privileges. Each whole Unit of a particular Class is entitled to one vote at meetings of Unitholders of the Fund where all Classes vote together, or to one vote at meetings of Unitholders where that particular Class of Unitholders of the Fund votes separately as a Class.

The Manager, in its discretion, determines the number of Classes of Units and establishes the attributes of each Class, including investor eligibility, the designation and currency of each Class, the initial closing date and initial offering price for the first issuance of Units of the Class, any minimum initial or subsequent investment thresholds, any minimum redemption amounts or minimum account balances, valuation frequency, fees and expenses of the Class, sales or redemption charges payable in respect of the Class, redemption rights, convertibility among classes and any additional Class specific attributes. The Manager may add additional Classes of Units at any time without prior notice to or approval of Unitholders. No Class of Units will be created for the purpose of giving any Unitholder a percentage interest in the property of the Fund that is greater than the Unitholder's percentage interest in the income of the Fund.

All Units of the same Class are entitled to participate *pro rata*: (i) in any payments or distributions (other than Fee Distributions described in "Fees and Expenses") made by the Fund to the Unitholders of the same Class; and (ii) upon liquidation of the Fund, in any distributions to Unitholders of the same Class of net assets of the Fund attributable to the Class remaining after satisfaction of outstanding liabilities of such Class. Units are not transferable, except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Manager. To dispose of Units, a Unitholder must have them redeemed.

Fractional Units carry the same rights and are subject to the same conditions as whole Units (other than with respect to voting rights) in the proportion which they bear to a whole Unit. Outstanding Units of any Class may be subdivided or consolidated in the Manager's discretion on 21 days' prior written notice. Units of a Class may be re-designated by the Manager as Units of any other Class having an aggregate equivalent Class Net Asset Value (as described in "Determination of Net Asset Value") if such re-designation is approved by the holder of the Units to be re-designated or with 30 days' prior written notice. See "Canadian Federal Income Tax Consideration – Taxation of Unitholders" for the Canadian tax consideration associated with such a re-designation.

## **SECTION 6 – FEES AND EXPENSES**

### **6.1 Expenses**

The Manager paid for the costs of initially organizing the Fund and offering the Units, including the fees and expenses of counsel and the Fund's auditors.

The Fund will pay for all routine and customary expenses relating to the Fund's operations, including registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of Units including securities filing fees (if any), expenses relating to providing financial and other reports to Unitholders and convening and

conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. In addition, the Fund will pay for expenses associated with ongoing investor relations and education relating to the Fund.

Each Class of Units is responsible for the expenses specifically related to that Class and a proportionate share of expenses that are common to all Classes of Units. The Manager shall allocate expenses to each Class of Units in its sole discretion as it deems fair and reasonable in the circumstances.

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.

## **6.2 Management Fee**

For providing its services to the Fund, the Manager receives a management fee (the “Management Fee”) from the Fund attributable to the Class A Units, Class UA Units, Class F Units and Class UF Units of the Fund, respectively. Each Class of Units is responsible for the Management Fee attributable to that Class.

The Class A Units and Class UA Units are charged a Management Fee equal to 0.50% per quarter (2.00% per annum) of the Net Asset Value of the Class A Units or the Class UA Units, as the case may be, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Class F Units and Class UF Units are charged a Management Fee equal to 0.25% per quarter (1.00% per annum) of the Net Asset Value of the Class F Units or the Class UF Units, as the case may be, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Management Fee payable in respect of the Class UA Units or the Class UF Units is payable in Canadian dollars and is equal to the applicable percentage indicated above of the Canadian dollar equivalent of the Net Asset Value of the applicable Class of Units on the applicable Valuation Date.

Other Classes of the Fund are charged such management fee, if any, as described in the applicable offering document or agreement relating to such Classes.

## **6.3 Performance Fee**

The Manager receives a performance fee (the “Performance Fee”) in respect of the Class A Units, Class UA Units, Class F Units and the Class UF Units. The Performance Fee in respect of each Class shall be calculated and become a liability of the Fund on each Valuation Date and shall be payable at the end of each calendar quarter.

The Performance Fee in respect of the Class A Units, Class UA Units, Class F Units and the Class UF Units, as the case may be, on a particular Valuation Date shall be equal to the product of (a) 20% of the positive difference between (i) the Adjusted Class Net Asset Value per Unit on the Valuation Date; and (ii) the greatest Class Net Asset Value per Unit on any previous

Valuation Date (or the date Units of the Class were first issued, where no Performance Fee liability has previously arisen in respect of Units of the Class) (the “high water mark”), less (iii) the Accrued Hurdle Amount per Unit on the Valuation Date; and (b) the number of Units outstanding on the applicable Valuation Date on which the Performance Fee is determined, plus applicable taxes. As used herein, Adjusted Class Net Asset Value per Unit on a Valuation Date means the Class Net Asset Value per Unit on the Valuation Date, without giving effect to any Performance Fee determined on such Valuation Date.

The Accrued Hurdle Amount per Unit on any Valuation Date is the accumulated Hurdle Amount per Unit since the last high water mark that occurred in the current financial year of the Fund. The Hurdle Amount per Unit is calculated and accrued on each Valuation Date and shall be equal to the product of (a) the Hurdle Rate equal to 5% per annum (prorated for the number of days in the year since the last Valuation Date); and (b) the Adjusted Class Net Asset Value per Unit on the applicable Valuation Date.

The Manager may make such adjustments to the Adjusted Net Asset Value per Unit of a Class and/or the applicable “high water mark” and/or the Accrued Hurdle Amount per Unit as are determined by the Manager to be necessary to account for the payment of any distributions on Units, any Unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the computation of Performance Fee. Any such determination of the Manager shall, absent manifest error, be binding on all Unitholders.

The Performance Fee payable in respect of the Class UA Units or the Class UF Units is calculated as indicated above using the U.S. dollar value of the Net Asset Value of the applicable Class of Units on the applicable Valuation Date, such U.S. dollar value to be determined using an exchange rate on the applicable Valuation Date.

The Manager will pay an amount equal to a portion of the Performance Fee, if any, to certain Dealers.

Other Classes of the Fund will be charged such performance fee, if any, as described in the applicable offering document or agreement relating to such Classes.

## **6.4 Fee Rebates**

To encourage large investments in the Fund and to be able to offer fees which are competitive for investments of that size, and in certain other circumstances, the Manager may from time to time reduce the Management Fee and/or the Performance Fee that it otherwise would be entitled to receive with respect to such an investor's investment in the Fund provided that the amount of the fee reduction is distributed (a "Fee Distribution") to such Unitholder. Fee Distributions of the Fund, where applicable, will be computed on each Valuation Date and shall be payable quarterly, or at such other times as the Manager may determine, first out of net income and the net capital gains of the Fund and thereafter out of capital. Any such reduction in Management Fees and/or Performance Fees in respect of a large investment in the Fund will be negotiated by the Manager and the investor or the investor's Dealer and will be based primarily on the size of the investor's investment in the Fund and the total amount of services provided to the investor with respect to their investment in the Fund. The Manager may also reduce its fees to encourage investors to invest in a new fund. A qualified investor can choose to receive the Fee Distribution in cash or in additional Units of the Fund. The amount of any Fee Distribution is income to the Unitholder receiving it, to the extent it is paid out of net income or net taxable capital gains of the Fund. See "Canadian Federal Income Tax Considerations" and "Distributions".

## **6.5 The Underlying Fund Fees and Expenses**

For providing its services to the respective Underlying Funds, the Manager receives a management fee and a performance from the respective Underlying Funds attributable to the certain classes of units of the applicable Underlying Fund. However, any investment by the Fund into units of the respective Underlying Funds will not result in any duplication of management fees and performance fees to the Fund or the investors of the Fund as any investment by the Fund into units of the respective Underlying Funds will only be in a class of units of the applicable Underlying Fund that carry no management fees and performance fees. For greater certainty, the Manager will not receive any management fees or performance fees in respect of the units of the Underlying Fund to be purchased by the Fund. In addition, no sales charges or redemption fees are payable by the Fund in relation to its purchase or redemption of units of the Underlying Fund.

Each Underlying Fund will pay for all routine and customary expenses relating to the Underlying Fund's operations, including registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of units of the Underlying Fund including securities filing fees (if any), expenses relating to providing financial and other reports to unitholders of the Underlying Fund and convening and conducting meetings of unitholders of the Underlying Fund, all taxes, assessments or other governmental charges levied against the Underlying Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Underlying Fund. In addition, the Underlying Fund will pay for expenses associated with ongoing investor relations and education relating to the Underlying Fund.

The class of units of the Underlying Fund purchased by the Fund will be responsible for the above expenses specifically related to that class of units of the Underlying Fund and a proportionate share of expenses that are common to all classes of units of the Underlying Fund. As a result Unitholders of the Fund which invests in an Underlying Fund will indirectly bear a proportionate share of such expenses of such Underlying Fund.

Copies of the offering memorandum, the most recent audited annual financial statements and the most recent unaudited semi-annual financial statements of the Underlying Funds in which the

Fund is invested in will be made available to Unitholders free of charge upon request and may be inspected at the principal office of the Fund during normal business hours

## **SECTION 7– DEALER COMPENSATION**

Units will be distributed in the Offering Jurisdictions (as described below) through registered dealers (“Dealers”), including the Manager (in jurisdictions where it is registered to sell the securities), and such other persons as may be permitted by applicable law. In the event of such distribution, Dealers (other than the Manager) will be entitled to the compensation described below.

### **7.1 Sales Commissions**

In the event of a Dealer sale, a sales commission of up to 5.00% may be deducted from the purchase order and paid by the investor to the Dealer. The remaining amount will be invested in the Fund. Sales commissions may be negotiated between the Dealer and the investor. Units issued on a reinvestment of distributions as described under “Distributions” will not be subject to a sales commission.

No deferred sales charge option is available.

### **7.2 Servicing Fees**

The Manager will pay servicing commissions to Dealers whose clients have purchased Class A Units and Class UA Units and remain invested in the Fund during the relevant quarter. The servicing commission, expressed as an annual percentage of the Class Net Asset Value per Unit, is 1.00% for Class A Units. The servicing commissions payable in respect of the Class UA Units is payable in U.S. dollars and is calculated based on the U.S. dollar value of the Class Net Asset Value of the Class UA Units on the applicable Valuation Date, such U.S. dollar value to be determined using an exchange rate on the applicable Valuation Date. The servicing commissions will be paid on a quarterly basis in arrears. The Manager does not pay servicing commissions in respect of Class F Units and Class UF Units. Servicing commissions may be modified or discontinued by the Manager at any time.

### **7.3 Performance-Based Servicing Fees**

The Manager will pay an amount equal to a portion of its Performance Fee, if any, to Dealers with client assets invested in Class A Units, Class UA Units, Class F Units and Class UF Units. Dealers will be paid an amount equal to 10% of the Manager’s Performance Fee, if any, attributable to their clients’ investment in Class A Units, Class UA Units, Class F Units and Class UF Units. The foregoing payment shall be to the extent permitted by applicable securities regulation.

The purpose of the performance-based servicing fee of the Fund is to ensure that the Manager, the Dealer, its representatives and investors all have a common interest in the Fund performing well. The Manager at its discretion may calculate and pay performance-based servicing fees of the Fund on a more or less frequent basis, or may modify, discontinue, or otherwise differentiate this fee among dealers at any time and from time to time.

The Manager may pay an amount equal to a portion of its Performance Fee, if any, with respect to other Classes of the Fund, as described in the applicable offering document or agreement relating to such Classes, to the extent permitted by applicable securities regulation.

## **SECTION 8 – INVESTING IN UNITS OF THE FUND**

### **8.1 Purchase of Units**

Investors may be admitted to the Fund or may acquire additional Units on a weekly basis (i) as of the last Business Day (any day on which the Toronto Stock Exchange (“TSX”) is open for trading is hereinafter referred to as a “Business Day”) of each calendar week with respect to the Class A Units and Class F Units, and (ii) as of the second last Business Day of each calendar week with respect to the Class UA Units and Class UF Units. The Units are being offered using the mutual fund order entry system FundSERV. Subscription for Units may be made directly through the Manager (in jurisdictions where it is registered to sell the securities) or from a distributor on the FundSERV network under the Manufacturer Code to Picton Mahoney Asset Management “PIC” and the order code:

Class A Units	“PIC500”
Class F Units	“PIC501”
Class UA Units	“PIC507”
Class UF Units	“PIC508”

Funds in respect of any subscription will be payable by investors at the time of the subscription.

Investors who wish to subscribe for Units may do so by delivering a subscription agreement (substantially in the form of the subscription agreement accompanying the Offering Memorandum or such other form of subscription agreement as the Manager may approve) to the Manager, either directly (in jurisdictions where it is registered to sell the securities) or through Dealers or other persons permitted by applicable securities laws to sell Units, accompanied by a cheque, bank draft or, in the discretion of the Manager, wire transferred funds, in an amount equal to the purchase price on or before (i) the last Business Day of the week with respect to a subscription of Class A Units or Class F Units, and (ii) the second last Business Day of the week with respect to a subscription of Class UA Units or Class UF Units.

Units will be offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. Units of the Fund may be purchased in either Canadian dollars or U.S. dollars (the U.S. dollar purchase option). Class A Units and Class F Units can be purchased with Canadian dollars only, while Class UA Units and Class UF Units can be purchased with U.S. dollars only. For the purchase of Class UA Units or Class UF Units using the U.S. dollar purchase option, the Fund will convert the Class Net Asset Value of the applicable Class to U.S. dollars using an exchange rate on the trade date of the purchase order to determine the number of Class UA Units and/or Class UF Units purchased.

The U.S. dollar purchase option is offered only as a convenience and allows the investor to invest in the Fund using U.S. dollars. A Unitholder of Class UA Units or Class UF Units will receive U.S. dollars upon redemption of those Units and when receiving cash distributions from the Fund, if any. The purchase of Class UA Units and Class UF Units in U.S. dollars will not affect the investment return of the Fund and in particular, will not protect completely against changes in the exchange rate between the Canadian dollar and the U.S. dollar. The performance of the Fund will be determined by the performance of its investments, regardless of which currency used to

purchase Units. However, the returns on the Class UA Units and Class UF Units will differ from the returns on the Fund's other Classes of Units because the entire effect of the currency hedging, as well as the costs associated with employing the hedging strategy, will be reflected only in the Class Net Asset Values of the Class UA Units and Class UF Units.

The Class Net Asset Value per Unit for subscriptions which are received and accepted by the Manager prior to 4:00 p.m. (Eastern time) on the last Business Day of a week with respect to the Class A Units and Class F Units and prior to 4:00 p.m. (Eastern time) on the second last Business Day of a week with respect to the Class UA Units and Class UF Units will be calculated as of the Valuation Date for that week. Subscriptions which are received and accepted by the Manager after 4:00 p.m. (Eastern time) on the last Business Day of a week with respect to the Class A Units and Class F Units and after 4:00 p.m. (Eastern time) on the second last Business Day of a week with respect to the Class UA Units and Class UF Units will be calculated as of the Valuation Date for the following week. See "Determination of Net Asset Value". All subscriptions for Units are to be forwarded by Dealers, without charge, the same day that they are received, to the Manager or purchased using the FundSERV network, as applicable.

The Manager reserves the right to accept or reject orders, whether made through the Manager or entered on the FundSERV network, and any monies received with a rejected order will be refunded forthwith, without interest, other compensation or deduction after such determination has been made by the Manager. The Manager shall not accept subscriptions from and shall not direct the issuance or transfer of Units to: (a) any person who is or would be a "designated beneficiary" of the Fund, as such term is defined in Part XII.2 of the Tax Act, if, as a consequence thereof, the Fund would be liable for tax under Part XII.2 of the Tax Act; (b) a "financial institution", as defined in the Tax Act for the purposes of the mark-to-market rules, if the Fund itself would be deemed to be a "financial institution" under such rules as a result of such subscription/issuance of Units; or (c) a non-resident of Canada, if in the opinion of the Manager, the issuance or transfer of a Unit to such person could create a material risk that the Fund could lose its status as a mutual fund trust under the Tax Act. If at any time the Manager becomes aware that Units are beneficially owned by one or more entities described above, the Fund may redeem all or such portion of the Units on such terms as the Manager deems appropriate in the circumstances. All subscriptions for and/or transfers of Units shall, if required by the Manager, be accompanied by evidence satisfactory to the Manager confirming that the investor making the subscription or transfer is not and will not be a "designated beneficiary" of the Fund. All subscriptions will be irrevocable. Fractional Units will be issued up to three decimal points.

A book-based system of registration is maintained for the Fund. Unit certificates will not be issued. The register for the Units is kept at the office of the Administrator.

## **8.2 Minimum Investment**

The minimum initial investment in the Fund is CAD\$25,000 for Class A Units and Class F Units respectively, and USD\$25,000 for Class UA Units and Class UF Units respectively and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units of the Fund in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of CAD\$5,000 for Class A Units and Class F Units respectively and USD\$5,000 for Class UA Units and Class UF Units respectively, or such lesser amount as the Manager may, in its sole discretion, determine subject to applicable securities legislation.

### **8.3 Distribution of Units**

Units of the Fund are offered to investors resident in the provinces and territories of Canada, (the “Offering Jurisdictions”) pursuant to applicable exemptions from the prospectus requirements of the securities laws in the Offering Jurisdictions.

Subscriptions will be accepted from an investor who is purchasing Units with a minimum investment of \$150,000, paid in cash, subject to applicable securities legislation, or an investor who is an “accredited investor” as described in applicable securities legislation. An investor who purchases as an “accredited investor” is required to notify the Manager if such investor’s status changes.

## **SECTION 9 – REDEMPTION OF UNITS**

### **9.1 How to Redeem Units**

Units may be surrendered to the Manager for redemption at any time. A Unitholder may have his or her Units redeemed as of the last Business Day of any calendar week (the “Redemption Date”) at the Class Net Asset Value per Unit as of the Redemption Date provided the Manager has received a notice of redemption in respect to Class A or Class F Units prior to 4:00 p.m. (Eastern time) on such Valuation Date, or in respect to Class UA or Class UF Units prior to 4:00 p.m. (Eastern time) on the business day prior to such Valuation Date, otherwise such Units will be redeemed on the next Valuation Date. Requests for redemption made to the Manager must be made in writing with the signature guaranteed by a Dealer, Canadian chartered bank, trust company, a member of a recognized stock exchange in Canada or otherwise guaranteed to the satisfaction of the Manager. If Units are registered in the name of an intermediary such as a Dealer, clearing agency or its nominee, redemption orders must be made through such intermediary. Requests for redemption will be accepted in the order in which they are received.

Where the Units which are the subject of the notice of redemption were purchased from a distributor on the FundSERV network, a request for redemption may also be entered on the FundSERV system in the calendar week in which the Redemption Date occurs, and payment of the redemption proceeds will be made using the FundSERV network. Where the Units which are the subject of the notice of redemption were purchased through the Manager, payment of the redemption proceeds will generally be made by cheque, bank draft or wire transfer. Subject to applicable law, redemption proceeds may be made in kind if in the Manager’s discretion circumstances do not permit a payment in cash. The Manager shall within three Business Days following the determination of the Class Net Asset Value per Unit for the applicable Redemption Date distribute an amount equal to the Class Net Asset Value per Unit determined as of the relevant Redemption Date. Redemption proceeds paid in cash will be paid in the currency in which the Units were purchased. See “Determination of Net Asset Value”. Any payment referred to above, unless such payment is not honoured, will discharge the Fund, the Trustee, the Manager and their agents from all liability to the redeeming Unitholder in respect of the payment and the Units redeemed.

If the Units redeemed are Class UA Units or Class UF Units, the payment of redemption proceeds will be in U.S. dollars.

## **9.2 Suspension of Redemptions**

The Manager may suspend the redemption of Units or a Class of Units, or payments in respect thereof, for any period during which (a) the Trustee is closed for business; (b) normal trading is suspended on any stock exchange, options exchange or futures exchange within or outside Canada on which securities which represent more than 50% of the underlying market exposure of the total assets of the Fund, without allowance for liabilities, are listed and traded; or (c) during any other period in which the Manager determines that conditions exist which render impractical the sale of assets or impair the ability to determine the value of any of the Fund's assets. In addition, if the Manager has received requests to redeem 30% or more of the outstanding Units of the Fund on a Redemption Date, payment of the redemption proceeds may be deferred for up to 90 days following the determination of the Net Asset Value for such Redemption Date. The redemption price will be adjusted by changes in the Net Asset Value per Unit of the Class during this suspension period and calculated on the Valuation Date as of when the redemption occurs.

Any suspension may apply to all requests for redemption 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 Unitholders making redemption requests will (unless the suspension lasts for less than 48 hours) be advised by the Manager of the suspension and that redemption requests previously received will be effected as of the first Valuation Date following the termination of the suspension. All such Unitholders will (unless the suspension lasts for less than 48 hours) be advised that they have the right to withdraw any requests for redemption previously submitted.

The suspension will terminate 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 to be imposed then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of a suspension of redemptions made by the Manager is conclusive. The Unitholder will receive payment of redemption proceeds based on the Class Net Asset Value per Unit on the Valuation Date that next follows the termination of the suspension.

## **9.3 Short Term Trading Deduction**

In order to protect the interest of the majority of investors in the Fund and to discourage short-term trading in the Fund, investors may be subject to a short-term trading deduction. If an investor redeems Units of the Fund within 120 days of purchasing such Units, the Fund may deduct and retain, for the benefit of the remaining Unitholders in the Fund, five percent (5%) of the Class Net Asset Value of the Units being redeemed. The short-term trading deduction payable in respect of the Class A Units or the Class F Units are payable in Canadian dollars and the short-term trading deduction payable in respect of the Class UA Units or the Class UF Units is payable in U.S. dollars.

## **9.4 Mandatory Redemptions**

The Manager may in its discretion cause the Fund to redeem all or a portion of a Unitholder's Units by giving 30 days' prior written notice to the Unitholder, specifying the number of Units to be redeemed. For example, the Manager may cause the Units of any Unitholder to be redeemed if at any time as a result of redemptions the value of the Unitholder's investment in the Fund is less than the minimum initial subscription amount. In addition, the Manager may cause the Fund to redeem Units owned by a person or partnership that is a "designated beneficiary" without notice if the continued ownership of Units by such person or partnership could have adverse tax consequences to the Fund. In addition, the Fund may redeem Units as described above under "Investing in Units of the Fund – Purchase of Units".

## **SECTION 10 – RESALE RESTRICTIONS**

Units are not transferable except by operation of law or with the consent of the Manager. There is no formal market for the Units and none is expected to develop. Furthermore, this offering of Units is not qualified by way of prospectus and consequently, the resale of Units will be subject to restrictions under applicable securities legislation. Unitholders may not be able to resell Units and may only be able to redeem them. Redemptions of Units may be subject to the limitations described under "Redemption of Units" and "Purchase of Units". Investors are advised to seek legal advice prior to any resale of the Units.

## **SECTION 11 – DETERMINATION OF NET ASSET VALUE**

### **11.1 Valuation Dates**

The Fund's net asset value (the "Net Asset Value") is calculated as the value of the Fund's assets, less its liabilities, computed on a particular date in accordance with the Trust Declaration. The Administrator of the Fund (or such other person or entity designated by the Manager) will calculate the Net Asset Value of the Fund as of the last Business Day of each week, and such other days as the Trustee may determine, at the close of regular trading on the TSX, normally 4:00 p.m. (Eastern time) (each, a "Valuation Date"). The Fund will also be valued for reporting purposes only, on the last Business Day of the month on which the TSX is open for business, at the close of regular trading, normally 4:00 p.m. (Eastern time).

The Class Net Asset Value per Unit on a Valuation Date is obtained by dividing the value of the assets of the Fund less the amount of its liabilities, in each case attributable to that Class, by the total number of Units of the Class outstanding at the close of business on the Valuation Date and adjusting the result to a maximum of three decimal places.

### **11.2 Valuation Principles**

The Net Asset Value will be calculated by the Valuation Agent as of each Valuation Date by subtracting the amount of the liabilities of the Fund from the total assets of the Fund. The total assets of the Fund will be valued as follows:

- a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Valuation Agent determines that any such deposit or call loan is not

worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Valuation Agent determines to be the reasonable value thereof;

- b) the value of any bonds, debentures, and other debt obligations shall be valued at bid prices from recognized pricing vendors on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- c) the value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the closing sale price at the close of business on the Valuation Date or, if there is no sale price, the average between the closing bid and the closing asked price on the day on which the Net Asset Value of the Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- e) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Valuation Agent;
- f) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- g) purchased or written clearing corporation options, options on futures, over-the-counter options, debt like securities and listed warrants shall be valued at the current market value thereof;
- h) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- i) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at 4:00 p.m. (Eastern time), the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily

- limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- j) the value of the securities of an investment fund shall be the net asset value or similar value of the securities of the investment fund as provided by the manager, administrator or party acting in a similar capacity of the investment fund and available to the Valuation Agent as of a time proximate to the close of business on the date on which the Net Asset Value is being calculated, whether or not the securities of such investment fund are listed or dealt with on a stock exchange. If a net asset value or similar value of the investment fund as of a time reasonably proximate to the close of business on the date on which the Net Asset Value is being calculated is not available to the Valuation Agent, the value shall be based on an estimate provided by the Manager or in such other manner as the Valuation Agent shall determine;
  - k) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
  - l) all securities, property and assets of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Valuation Agent, including, but not limited to, the Valuation Agent or any of its affiliates;
  - m) all expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis; and
  - n) the value of any security or property to which, in the opinion of the Valuation Agent, the above valuation 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 value thereof determined in such manner as the Valuation Agent from time to time provides.

The Net Asset Value of the Fund and the Class Net Asset Value of the Class A Units and Class F Units are calculated in Canadian dollars. The Net Asset Value of the Fund and the Class Net Asset Value of the Class A Units and Class F Units are reported in Canadian dollars.

The Class Net Asset Value for the Class UA Units and Class UF Units, which are purchased and redeemed only in U.S. dollars, is obtained by converting the Canadian dollar value of the Fund's net assets attributable to its Class UA Units or Class UF Units to U.S. dollars using the exchange rate available on the applicable Valuation Date on which the Class Net Asset Value is being determined and then adjusted for the value of the currency forward hedges entered into solely in respect of such Units in order to minimize the effect of currency movements between the Canadian dollar and the U.S. dollar. The Class Net Asset Value per Class UA Unit or Class UF Unit is the U.S. dollar value of such net assets, as adjusted, divided by the number of such Class UA Units or Class UF Units, as applicable, outstanding at that Valuation Date. The costs associated with employing the currency hedging strategy will be allocated only to the Class UA Units and Class UF Units and therefore will be reflected only in the Class Net Asset Values of the Class UA Units and Class UF Units, and will not be reflected in the Class Net Asset Values of the other Classes of Units.

The Net Asset Value of the Fund and each Class may be reported in such other currencies as the Valuation Agent may from time to time determine, based on the current end of day rate or rates of exchange, as the case may be, reported by any report in common use.

The Valuation Agent is entitled to rely on any values or quotations supplied to it by a third party, including the Manager, and is not required to make any investigation or inquiry as to the accuracy or validity of such values or quotations. Provided the Valuation Agent acts in accordance with its standard of care, it shall be held harmless by the Fund and shall not be responsible for any losses or damages resulting from relying on such information.

## **SECTION 12 – DISTRIBUTIONS**

The Fund intends to distribute sufficient net income (including net realized capital gains, if any) to Unitholders in each taxation year to ensure that the Fund is not liable for income tax under Part I of the Tax Act, after taking into account any available loss carry forwards and capital gains refunds. All distributions (other than Fee Distributions) will be made on a *pro rata* basis within each Class to each registered Unitholder determined as of the close of business (prior to any subscriptions or redemptions) on the last Valuation Date prior to the date of the distribution.

Subject to applicable securities legislation, Monthly Distributions and all distributions other than Monthly Distributions made by the Fund (net of any deductions or withholdings required by law) will be automatically reinvested in additional Units of the Fund or fractional Units of the Fund at the Class Net Asset Value per Unit. The Manager reserves the right to change the foregoing policy. The Manager may make such designations, determinations and allocations for tax purposes of amounts or portions of amounts which the Fund has received, paid, declared payable or allocated to Unitholder as distributions or redemption proceeds.

A Unitholder may elect to have Monthly Distributions received from the Fund paid in cash by notifying the Manager. A Unitholder of Class UA Units or Class UF Units that has elected to have Monthly Distributions paid in cash will receive their distributions payment in U.S. dollars.

The costs of distributions, if any, will be paid by the Fund.

## **SECTION 13 – CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is, as of March 9, 2015, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Offering Memorandum. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Units as capital property.

This summary assumes that none of the issuers of securities held by the Fund will be a foreign affiliate of the Fund or any Unitholder or a non-resident trust that is not an "exempt foreign trust" as defined in section 94 of the Tax Act. This summary also assumes that (i) the Fund will not be a "SIFT trust" for the purposes of the Tax Act, (ii) the Fund will, at all material times, constitute a "mutual fund trust" for the purposes of the Tax Act, and that (iii) the Fund will not be required to include any amounts in income pursuant to section 94.1 or section 94.2 of the Tax Act.

This summary is based on the provisions of the Tax Act and the regulations thereunder, along with an understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the “CRA”), all as of March 9, 2015, and all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to March 9, 2015 (the “Proposed Amendments”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units, including those relating to the deductibility of interest paid on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor’s particular circumstances, including the province or territory in which the investor 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 investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their own particular circumstances.**

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

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distributions”, it will generally not be liable in such year for any tax on its net income or profit under Part I of the Tax Act.

The Fund generally intends to account for gains and losses realized on transactions in derivatives on income account. However, based on CRA administrative policy, the Fund may report certain share option transactions and currency hedges entered into in connection with Class UA Units and Class UF Units on capital account. Gains and losses realized on the disposition of shares held in long positions will generally be reported as capital gains and capital losses. Whether gains and losses realized by the Fund are on income or capital account will depend largely on factual considerations. The Fund has elected under subsection 39(4) of the Tax Act such that all gains and losses realized by the Fund on “Canadian securities” will be deemed to be capital gains and losses. Whether the Fund, if it is not a “mutual fund trust” for purposes of the Tax Act at any particular time, will be entitled to the benefit of such election will depend on factual considerations.

The Fund will be required to include in income for each taxation year all interest that accrues to it to the end of the taxation year or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing the Fund’s income for a preceding taxation year. Where the Fund transfers a debt security to a transferee who becomes entitled to interest that accrued on the security prior to the transfer, such accrued interest will generally be included as interest in computing the Fund’s income. The Fund will also be required to include in income any taxable dividends received on shares of corporations and generally any other income earned on its investments.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, generally including interest payable by the Fund on money borrowed to purchase securities. The Fund may generally deduct the costs and expenses of the offering of Units under this Offering Memorandum that are paid by the Fund at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The Fund's portfolio may include securities which are not denominated in Canadian dollars. The cost and proceeds of disposition of securities, dividends, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction, as more particularly determined in accordance with section 261 of the Tax Act. Accordingly, the Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay foreign income or profits tax to such countries. To the extent such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such foreign source income and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

The Tax Act provides for a special tax on "designated income" of certain trusts that are not "mutual fund trusts" and that have "designated beneficiaries". The Trust Declaration contains certain restrictions that would prevent persons who would be designated beneficiaries of the Fund from owning Units when the Fund is not a mutual fund trust. Accordingly it is expected that the special tax on designated income will not apply to the Fund.

The Fund may be subject to alternative minimum tax in any taxation year throughout which the Fund is not a mutual fund trust for purposes of the Tax Act.

### **13.2 Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. Net income (or losses) including capital gains (or capital losses) realized by the Fund in a taxation year in respect of a particular Class of Units must be netted against losses (or gains) or capital losses (or gains) realized by the Fund in that year in respect of all other classes of Units, in accordance with the rules provided in the Tax Act, to determine the net income and net capital gains of the Fund as a whole for that year. This netting may result in income and/or capital gains allocations to a particular Class of Units that differ from those that would result if such Units had been issued by a separate trust having only one Class and series of units. The non-taxable portion of the Fund's net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units, except to the extent such amount is the non-taxable portion of a capital gain of the Fund the taxable portion of which was designated to the Unitholder. To the

extent that the adjusted cost base of a Unit would be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base of Units will be increased by the amount of such deemed capital gain.

All amounts not denominated in Canadian dollars, including the cost and proceeds of disposition of Class UA Units and Class UF Unit and any distributions denominated in US dollars in respect thereof, will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction, as more particularly determined in accordance with section 261 of the Tax Act. Accordingly, a Unitholder who holds Class UA Units or Class UF Units may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund, (ii) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit, and (iii) taxable dividends received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules contained in the Tax Act will apply.

The Class Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Fund which represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Units of a particular Class, the cost of newly acquired Units will be averaged with the adjusted cost base of all Units of the Class owned by the Unitholder as capital property before the acquisition. If the Fund distributes property in kind, a Unitholder's proceeds of disposition would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition. Based on published administrative positions of the CRA, a re-designation of Class A Units to Class F Units, or vice versa, or Class UA Units to Class UF Units; or vice versa, should not result in a disposition of the Units. However, the CRA has made statements which suggest that a re-designation of Class A Units or Class F Units to Class UA Units or UF Units, or vice versa, would likely give rise to a taxable disposition of the Units. Unitholders should consult with their own tax advisors in this regard.

One-half of any capital gain ("taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or dividends from taxable Canadian corporations, and taxable capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

## **SECTION 14 – ELIGIBILITY FOR INVESTMENT**

Provided the Fund qualifies as a “mutual fund trust” for purposes of the Tax Act, Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. Investors should consult the Manager as to whether the Fund qualifies as a “mutual fund trust” at any particular time.

Notwithstanding the foregoing, if Units are “prohibited investments” for a tax-free savings account, a registered retirement savings plan or a registered retirement income fund, the holder of the tax-free savings account, or the annuitant of the registered retirement savings plan or the registered retirement income fund, as the case may be, (each a “Plan Holder”) will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes (but is not limited to) a unit of a trust which does not deal at arm’s length (for purposes of the Tax Act) with the Plan Holder, or in which the Plan Holder, either alone or together with persons with whom the Plan Holder does not deal at arm’s length (for purposes of the Tax Act), owns Units that have a value equal to 10% or more of the value of the trust’s outstanding units. Plan Holders should consult their own tax advisors with respect to whether Units are “prohibited investments” for their tax-free savings accounts, registered retirement savings plans or registered retirement income funds and the tax consequences of Units being acquired or held by trusts governed by such accounts, plans or funds.

## **SECTION 15 – CERTAIN RISK FACTORS**

There are certain risks associated with an investment in the Fund. Investors should consider the following risk factors in evaluating the merits and suitability of an investment in the Fund.

The Fund may invest in the Underlying Funds. Therefore, the return of the Fund will be affected by the risks described herein associated with an investment not only in the Fund, to the extent applicable, but also in the Underlying Funds. In addition to the Fund, the following risk factors may apply to one or more, or all, of the Underlying Funds.

### **No Assurance of Achieving Investment Objectives**

There is no assurance that the Fund will be able to accomplish its objectives. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

### **Operating History and Illiquidity of Units**

The Fund is an investment trust formed on December 31, 2009. An investment in the Fund entails a degree of risk. There is not now, and there is not likely to develop, any market for the resale of the Units of the Fund. Approval of the transfer by the Manager and satisfaction of certain requirements specified in the Trust Declaration would be required before any transfer may occur. In addition, the Units of the Fund are offered pursuant to prospectus and registration exemptions and, accordingly may not be transferred unless appropriate exemptions are available. The Units of the Fund are subject to limited redemption rights which may be suspended or postponed in certain circumstances.

## **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 may impair the Fund's profitability or result in losses.

## **Foreign Market Exposure**

The Fund will, at any time, include securities established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to similar Canadian and U.S. issuers, 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. issuer. Other risks include the application of foreign tax law, changes in governmental administration or economic or monetary policy, and the effect of local market conditions on the availability of public information. 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.

## **Foreign Currency Exposure**

Securities included in the Fund may be valued in or have exposure to currencies other than the Canadian dollar and, accordingly, each Class Net Asset Value will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar. However, the Manager may hedge the Canadian dollar exposure to the foreign currency in whole or in part. There can be no assurance that gains or losses on currency hedging transactions will be matched in timing or characterization with losses and gains on the securities valued in foreign currencies in which the Fund invests.

In addition, movements in the exchange rate between the U.S. dollar and the Canadian dollar value of the net assets attributable to the Class UA Units and Class UF Units of the Fund could reduce the U.S. dollar value of those Units. While the Fund seeks to hedge this exposure, any such hedging may not fully offset this risk.

Investors should note that an investment in Class UA Units and Class UF Units may be more suitable for investors who want to invest in the Fund in U.S. dollars. The Canadian dollar value of the Fund's net assets attributable to its Class UA Units and Class UF Units respectively will be hedged back to U.S. dollars using derivative instruments such as foreign currency forward contracts in an attempt to minimize the effect of the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar and to achieve substantially similar performance and returns as the Class A Units and Class F Units respectively. However, the returns on the respective Class UA Units and Class UF Units will differ from the returns on the respective Class A Units and Class F Units because the entire effect of this currency hedging, as well as the costs associated with employing the hedging strategy (such as derivative transaction costs and incentive fees), will be reflected in the Class Net Asset Values of the Class UA Units and the Class UF Units only. As such, Class UA Units and Class UF Units are intended for investors who wish to invest in the Fund, which is a Canadian denominated fund, in U.S. dollars but wish to minimize the effect of the fluctuations in exchange rate between the U.S. and Canadian currencies. There may be circumstances where the Fund may not be able to fully hedge at all times its Canadian dollar exposure back to U.S. dollars in respect of the Class UA Units and Class UF Units, in which case

the fluctuations in exchange rate between the U.S. and Canadian currencies will affect the returns of the Class UA Units and Class UF Units. Class UA Units and Class UF Units are not suitable for investors who want to speculate on changes in the exchange rate between the Canadian dollar and U.S. dollar.

### **Leverage**

The Manager is generally making investment decisions for assets that exceed the Net Asset Value of the Fund. As a result, if the Manager's investment decisions are incorrect, the resulting losses will be more than if investments were made solely in an unleveraged long portfolio as is the case in most conventional equity mutual funds. In addition, leveraged investment strategies can also be expected to increase the Fund's turnover, transaction and market impact costs, interest and securities lending expenses and other costs and expenses.

### **Derivatives Risk**

The Fund's use of derivatives involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. When the Fund invests in a derivative instrument, it could lose more than the initial amount invested.

### **Risk of Short Sales**

Short sales entail certain risks, including the risk that a short sale of a security may expose the Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by the Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by the Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by the Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of the Fund, the Manager may be required to buy or sell short securities at unattractive prices.

### **Counterparty Risk**

The Fund may enter into customized financial instrument transactions that are subject to the risk of credit failure or the inability of, or refusal by, the counterparty to perform its obligations with respect to such customized financial instrument transactions, which could subject the Fund to substantial losses.

## **Use of a Prime Broker**

Some or all of the assets of the Fund may be held in one or more margin accounts due to the fact that the Fund may from time to time sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors. In addition, the possibility of adverse market movements while its positions cannot be traded could adversely affect the total return to the Fund.

## **Portfolio Turnover**

The Manager adjusts the proportions of investments held in the Fund on a relatively frequent basis. In order to do so, the Manager actively trades on a frequent ongoing basis, such that the operation of the Fund may result in a high, annual portfolio turnover rate. The amount of leverage that the Fund operates at also exaggerates the turnover rate of the Fund. The Manager has not placed any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time that they have been held when, in the opinion of the Manager, investment considerations warrant such action. The high rate of portfolio turnover of the Fund involves correspondingly greater expenses than a lower turnover rate (e.g., greater transaction costs such as brokerage fees and market impact costs), and the greater the chance that a Unitholder receiving distributions of income or capital gains from the Fund in a year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

## **Liquidity of Investments**

The Fund's investments may be subject to liquidity constraints because of insufficient depth or volume on the trading markets for the securities the Fund is or has invested in, or the securities may be subject to legal or contractual restrictions on their resale. Each securities exchange typically has the right to suspend or limit trading and/or quotations in all of the securities that it lists. The Fund may not be able to trade securities when it wants to do so or to realize what it perceives to be the securities' fair market value in the event of a trade. The trading of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other trading expenses than do trades of securities that are eligible for trading on securities exchanges or on over-the-counter markets or securities that are listed and hence more liquid. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

## **Class Risk**

Since the Fund may have multiple Classes of Units, each Class will be charged, as a separate Class, any expenses such as management fees and servicing commissions that are specifically attributable to that Class. However, all other expenses of the Fund generally will be allocated among the Classes of Units by the Manager in a fair and equitable manner, and a creditor of the Fund may seek to satisfy its claims from the assets of the Fund as a whole, even though its claims relate only to a particular Class of Units.

### **Class Risk with respect to the Class UA Units and Class UF Units**

With respect to Class UA Units and Class UF Units, the Manager intends to hedge against movements of the Canadian dollar relative to the U.S. dollar. While the Manager will attempt to hedge this risk there can be no guarantee that it will be successful in doing so. Hedging transactions will be attributable to a specific share class, in this case, the Class UA Units and Class UF Units. The costs and gains/losses of hedging transactions will accrue solely to the relevant hedged Class UA Units and Class UF Units and will be reflected in the Class Net Asset Value per Unit of that class. However, investors should note that there is no segregation of liability between Classes of Units. Unitholders therefore are exposed to the risk that hedging transactions undertaken in one Class may impact unfavorably the net asset value of another Class.

### **Incentive Fee to the Manager**

To the extent described in this Offering Memorandum, the Manager receives a Performance Fee in respect of each of the Classes based upon the appreciation, if any, in the Class Net Asset Value of the applicable Class. However, the Performance Fee theoretically may create an incentive for the Manager to make investments that are riskier than would be the case if such fee did not exist. In addition, because the Performance Fee is calculated on a basis that includes unrealized appreciation of the Fund's assets, it may be greater than if such compensation were based solely on realized gains.

### **Lack of Management Control by Unitholders**

Investors will become Unitholders of the Fund. The Unitholders will not take part in the management or control of the Fund's business, which is the sole responsibility of the Manager. The Manager will have wide latitude in making investment decisions. The Manager, in certain circumstances, also has the right to dissolve the Fund. The Unitholders have certain limited voting rights, including the right to amend the Trust Declaration under certain circumstances, but do not have any authority or power to act for or bind the Fund. The Manager may require a Unitholder, at any time, to withdraw, in whole or in part, from the Fund.

### **Early Termination**

In the event of the early termination of the Fund, the Fund would distribute to the Unitholders *pro rata* their interest in the assets of the Fund available for such distribution, subject to the rights of the Trustee or Manager to retain monies for costs and expenses. Certain assets held by the Fund may be illiquid and might have little or no marketable value. In addition, the securities held by the Fund would have to be sold by the Fund or distributed in kind to the Unitholders. It is possible that at the time of such sale or distribution certain securities held by the Fund would be worth less than the initial cost of such securities, resulting in a loss to the Unitholders.

### **Effects of Substantial Redemptions**

Substantial redemptions by Unitholders within a short period of time could require the Manager to arrange for the Fund's positions to be liquidated more rapidly than would otherwise be desirable, which could adversely affect the value of the remaining Units of the Fund. In addition, regardless of the period of time in which redemptions occur, the resulting reduction in the Fund's assets could make it more difficult to generate a positive rate of return or recoup losses due to a reduced equity base.

## **Conflicts of Interest**

The Manager, its directors and officers and affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in securities to be held in the Fund, and may provide similar services to other investment funds with investment objectives and strategies similar to that of the Fund and other funds and clients and engage in other activities. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund or the Manager, each will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage (in the case of officers) the business and affairs of the Manager and the Fund.

## **Liability of Unitholders**

The Fund is a unit trust and, as such, the Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. There is no guarantee therefore, that Unitholders could not be made party to legal actions in connection with the Fund. However, the Trust Declaration provides that no Unitholder, in its capacity as such, will be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons shall look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and the Fund's property only shall be subject to levy or execution. Pursuant to the Trust Declaration, the Fund will indemnify and hold harmless out of the Fund's assets each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability.

In any event, it is considered that the risk of any personal liability of Unitholders is minimal and remote in the circumstances, in view of the anticipated equity of the Fund and the nature of its activities, and the Manager intends to conduct the Fund's operations in such a way to minimize any such risk. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

The prime brokerage agreement between the Fund and its prime broker(s) provides that no unitholder shall be held to have any personal liability under the prime brokerage agreement and that no recourse shall be had to such unitholder's private property for any obligations of the Fund under the prime brokerage agreement.

## **Taxation of the Fund**

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders.

Under special rules contained in the Tax Act, trusts that constitute "SIFT trusts" (as defined in the Tax Act) will generally be precluded from deducting certain amounts that would otherwise be deducted for tax purposes if they were paid or became payable to Unitholders in a particular taxation year. If the Fund were found to be a "SIFT trust", the amounts available to be distributed by the Fund to Unitholders could be materially reduced.

## **US FATCA Compliance**

Under new U.S. tax rules, Unitholders of the Fund may be required to provide identity and residency information to the Fund, which may be provided by the Fund to U.S. tax authorities, in order to avoid a 30% U.S. withholding tax (“FATCA Withholding Tax”) being imposed on certain U.S. source income and on sale proceeds received by the Fund. In certain circumstances, the Fund may be required to withhold a 30% tax from distributions it pays to Unitholders who have not provided the required information.

However, the governments of Canada and the United States have entered into an Intergovernmental Agreement (“IGA”) which establishes a framework for cooperation and information sharing between the two countries and may provide relief from FATCA Withholding Tax provided that (i) the Fund complies with the terms of the IGA and the Canadian legislation implementing the IGA (the “Canadian IGA Legislation”) and (ii) the government of Canada complies with the terms of the IGA. The Fund will endeavor to comply with the requirements imposed under the IGA and the Canadian IGA Legislation. Accordingly, the Fund anticipates that Unitholders may be required to provide identity, residency and other information to the Fund, which (in the case of specified U.S. persons or specified U.S.-owned non-U.S. persons) will be provided by the Fund to the CRA and from the CRA to the IRS. However, the Fund may be subject to FATCA Withholding Tax if it cannot satisfy the applicable requirements under the IGA or the Canadian IGA Legislation or if the Canadian government is not in compliance with the IGA and if the Fund is otherwise unable to comply with the relevant US legislation. Any such tax would reduce the Fund’s distributable cash flow and NAV.

## **Changes in Legislation**

There can be no assurance that applicable laws, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects the Fund and its Unitholders. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders.

## **Investment Risk Rating**

The Manager has identified the investment risk level of the Fund as an additional guide to help prospective investors decide whether the Fund is right for the investor. The Manager’s determination of the investment risk rating for the Fund is guided by the methodology recommended by the Fund Risk Classification Task Force of The Investment Funds Institute of Canada (the “Task Force”). The Task Force concluded that the most comprehensive, easily understood form of risk is the historical volatility of a fund as measured by the standard deviation of its performance. The use of standard deviation as a measurement tool allows for a reliable and consistent quantitative comparison of a fund’s relative volatility and related risk. Standard deviation is widely used to measure volatility of return. A fund’s risk is measured using rolling three and five year standard deviation and comparing these values against other funds and an industry standard framework. The standard deviation represents, generally, the level of volatility in returns that a fund has historically experienced over the set measurement periods. For new funds or funds which have a historical performance of less than three years, the standard deviation is calculated based on the actual performance of the fund since inception. However, you should be aware that other types of risk, both measurable and non-measurable, may exist. Additionally, just as historical performance may not be indicative of future returns, the Fund’s

historical volatility may not be indicative of its future volatility. In accordance with the methodology described above, the Manager has rated the Fund's investment risk as Medium.

**THE FOREGOING LIST OF "CERTAIN RISK FACTORS" DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE FUND. PROSPECTIVE UNITHOLDERS SHOULD READ THE ENTIRE OFFERING MEMORANDUM AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO SUBSCRIBE.**

## **SECTION 16 – REPORTING TO UNITHOLDERS AND MEETINGS OF UNITHOLDERS**

### **16.1 Reporting to Unitholders**

The fiscal year-end of the Fund is December 31<sup>st</sup>. Unitholders will be sent audited annual financial statements within 90 days of the Fund's fiscal year-end and unaudited semi-annual financial statements within 60 days of June 30<sup>th</sup>, or as otherwise required by law. Additional interim reporting to Unitholders will be at the discretion of the Manager. The Fund may enter into other agreements with certain Unitholders which may entitle such Unitholders to receive additional reporting. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings.

### **16.2 Meetings of Unitholders**

The Fund will not hold regular meetings; however, the Manager may convene a meeting of Unitholders, or a Class of Unitholders, as it considers appropriate or advisable from time to time. The Trustee must also call a meeting of Unitholders or of a Class of Unitholders on the written request of Unitholders holding not less than 50% of the outstanding Units of the Fund (or Units of a Class with respect to a Class meeting) in accordance with the Trust Declaration, provided that in the event of a request to call a meeting of Unitholders made by such Unitholders, the Trustee shall not be obliged to call any such meeting until it has been satisfactorily indemnified by such Unitholders against all costs of calling and holding such meeting.

Units of a Class shall vote separately as a Class if the notice calling the meeting so provides.

Not less than 21 days' notice will be given of any meeting of Unitholders. The quorum at any meeting is two or more Unitholders present in person or by proxy representing not less than 10% of the Units, or Units of a Class, as applicable, then outstanding. If no quorum is present at such meeting when called, the meeting will be adjourned by the Manager to a date and time determined by the Manager, and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum, if notice of the adjourned meeting is given.

Any consent of Unitholders under the Trust Declaration must be given by not less than 50% of the Units or Units of a Class, as applicable.

## **SECTION 17 – AMENDMENT OF THE TRUST DECLARATION**

The Trust Declaration may be amended by the Manager, if the amendment is not a material change, is not one of the matters specified in the Trust Declaration as requiring Unitholder

approval, does not adversely affect the pecuniary value of the interest of any Unitholder or restrict any protection provided for the Trustee or increase the responsibilities of the Trustee. In addition, certain amendments which are necessary or desirable to bring the Trust Declaration into conformity with current practice, to comply with any law, regulation or policy requirement applicable to the Fund, to correct any ambiguity, error or omission in the Trust Declaration, or to enhance the rights of or protect the interests of the Unitholders, may be made by the Manager and the Trustee without any prior notice to or approval of Unitholders. Without limiting the generality of the foregoing, the Manager and the Trustee may agree to amend the Trust Declaration to enhance rights of redemption or to adopt more stringent investment restrictions or make any other change required such that the Fund may be a qualified investment under any applicable legislative or regulatory requirements, if the Manager deems such qualification to be desirable.

The Class attributes set by the Manager may be amended without notice to Unitholders if the amendment, in the opinion of the Manager, is for the protection of or benefit to Unitholders of that Class.

Any amendment which cannot be made in accordance with the above may be made, at any time, by the Manager and the Trustee to take effect after not less than 90 days' written notice of such amendment to the Unitholders, or earlier with the consent of Unitholders as provided for in the Trust Declaration.

The Fund may be terminated on the occurrence of certain events stipulated in the Trust Declaration. The Manager may resign as manager of the Fund, and if no successor is appointed, the Fund will be terminated. On termination of the Fund, the Trustee will distribute the assets of the Fund in cash or in kind in accordance with the Trust Declaration

#### **SECTION 18 – AUDITORS**

The auditors of the Fund are PricewaterhouseCoopers LLP, or such other party as the Manager may retain.

#### **SECTION 19 – ADMINISTRATOR, VALUATION AGENT, RECORD KEEPER, TRANSFER AGENT AND REGISTRAR**

Citigroup Fund Services Canada Inc., or such other party as the Manager may retain, will act as the Administrator and Valuation Agent of the Fund.

#### **SECTION 20 – PRIME BROKER**

Goldman, Sachs & Co. and Scotia Capital Inc., or such other party as the Manager may retain, will hold the assets of the Fund.

None of the prime brokers has any responsibility for the preparation or accuracy of this Offering Memorandum.

#### **SECTION 21 – LEGAL COUNSEL**

McMillan LLP, or such other party as the Manager may retain, will act as the legal counsel of the Fund.

## **SECTION 22 – MATERIAL CONTRACTS**

The only material contract of the Fund is the Trust Declaration. A copy of the Trust Declaration will be made available to Unitholders upon request and may be inspected at the principal office of the Fund during normal business hours.

## **SECTION 23 – STATUTORY AND CONTRACTUAL RIGHTS OF ACTION**

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, if this Offering Memorandum and any amendment to it contains a “misrepresentation”. However, these remedies, or notice with respect to these remedies, must be exercised within the time limits prescribed by applicable securities legislation. The following summaries of rights of action and/or rescission are subject to the express conditions of the applicable legislative provisions, which may be subject to change after the date of this Offering Memorandum, and purchasers should refer to the applicable legislative provisions for the complete text of these rights and/or consult with a legal advisor. The following statutory or contractual rights of action for damages or rescission will apply to a purchase of Units.

### **Rights of Purchasers in Ontario**

Section 130.1 of the *Securities Act* (Ontario) (the “Ontario Act”) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) or any amendment thereto 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 (as defined in the Ontario Act). 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 Ontario Act 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.

This Offering Memorandum is being delivered in reliance on the exemption from the prospectus requirements contained under section 2.3 (the “accredited investor exemption”) and section 2.10 (the “minimum amount exemption”) of National Instrument 45-106 (“NI 45-106”). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The rights of action for rescission or damages are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Alberta**

Securities legislation in Alberta provides that every purchaser of securities in reliance on the exemption set forth in section 2.10 (the “minimum amount exemption”) of NI 45-106 pursuant to an offering memorandum (such as this Offering Memorandum) shall have, in addition to any other rights they may have at law, a right of action for damages or rescission against the issuer and certain other persons if the offering memorandum or any amendment thereto contains a misrepresentation (as defined in the *Securities Act* (Alberta) (the “Alberta Act”). However, such rights must be exercised within prescribed time limits.

Section 204 of the Alberta Act provides that where an offering memorandum (such as this Offering Memorandum), or any amendment to it, contains a misrepresentation, a purchaser who purchases securities offered by the offering memorandum or any amendment will be deemed to have relied upon the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum, and every person or company who signed the offering memorandum or, alternatively, for rescission against the issuer, provided that if the purchaser exercises its right of rescission against the issuer, the purchaser will not have a right of action for damages against the issuer or against any aforementioned person or company.

In Alberta, no action shall be commenced to enforce these rights of action 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 purchaser first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years from the day of the transaction that gave rise to the cause of action.

In addition, no person or company referred to above is liable if the person or company proves that the purchaser had knowledge of the misrepresentation. In an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon. The amount recoverable under this right of action will not exceed the price at which the Units were offered under this Offering Memorandum. The rights of action for rescission or damages are in addition to and without derogation from any other right the purchaser may have at law.

The foregoing summary is subject to the express conditions of the Alberta Act and the regulations promulgated thereunder and specific reference should be made to same. The rights of action for rescission or damages are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Saskatchewan**

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “Saskatchewan Act”) provides that in the event that an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases Units covered by the offering memorandum or any amendment to it has a right of action 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 company 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 company 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 company'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 the issuer 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 has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual.

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.

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 company 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.

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.

### **Rights for Purchasers in Manitoba**

Section 141.1 of the *Securities Act* (Manitoba), as amended (the "Manitoba Act") provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it 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 purchase and has a right of rescission against the issuer or has a right of action 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.

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

- (a) if the purchaser chooses to exercise a right of rescission against the issuer, the purchaser shall have no right of action for damages against the parties (i), (ii) and (iii) listed above;
- (b) in an action for damages, a defendant will not be liable for all or any part of the damages that he or she proves do not represent the depreciation in value of the security as a result of the misrepresentation;
- (c) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum; and
- (d) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser had knowledge of the misrepresentation.

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

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, 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 expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (c) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, 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.

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

Section 141.2 of the Manitoba Act provides that a purchaser of a security to whom an offering memorandum was required to be sent in compliance with Manitoba securities legislation, but was not sent within the prescribed time has a right of action for rescission or damages against the dealer, offeror or issuer who did not comply with the requirement.

Section 141.3 of the Manitoba Act also provides that a purchaser of a security to whom an offering memorandum is required to be sent may rescind the contract to purchase the security by sending a written notice of rescission to the issuer not later than midnight on the second day,

excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the securities.

Section 141.4 of the Manitoba Act provides that no action may be commenced to enforce any of the foregoing rights:

- (a) in the case of an action for rescission, more than 180 days after the day 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) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) two years after the day of the transaction that gave rise to the cause of action.

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

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

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the “Nova Scotia Act”). Section 138 of the Nova Scotia Act 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 such terms are defined in the Nova Scotia Act) contains a misrepresentation (as defined in the Nova Scotia Act), 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 any of the foregoing rights more 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 company'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 company'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 company'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.

Furthermore, 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.

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

### **Rights for Purchasers in New Brunswick**

Section 150 of the *Securities Act* (New Brunswick) (the "New Brunswick Act") provides that where an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases securities shall be 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 for rescission 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.

The foregoing summary is subject to the express conditions of the New Brunswick Act and the regulations promulgated thereunder and specific reference should be made to same. The rights of action for rescission or damages under the New Brunswick Act are in addition to and do not derogate from any other right the purchaser may have at law.

### **Rights for Purchasers in Prince Edward Island**

Section 112 of the *Securities Act* (Prince Edward Island) (the “PEI Act”) provides to a purchaser who purchases, during the distribution period, a security offered by an offering memorandum (such as this Offering Memorandum) containing a misrepresentation, without regard to whether he or she relied on the misrepresentation, a right of action for damages against (a) the issuer, (b) the selling security holder on whose behalf the distribution is made, (c) every director of the issuer at the date of the offering memorandum, and (d) every person who signed the offering memorandum.

If an offering memorandum contains a misrepresentation, a purchaser, as described above, has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made. If the purchaser elects to exercise a right of action for rescission, the purchaser shall have no right of action for damages.

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

- (a) the offering memorandum was sent to the purchaser without the person’s knowledge or consent and that, on becoming aware of its being sent, the person

had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;

- (b) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) 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, statement or opinion of an expert, the person had no 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, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

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

In an action for damages, the defendant is not liable for any damages that he or she proves do not represent the depreciation in value of the security resulting from the misrepresentation. In addition, the amount recoverable must not exceed the price at which the securities purchased by the purchaser were offered.

Section 121 of the PEI Act provides that no action may 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 action other than an action for rescission, the earlier of:
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Newfoundland and Labrador**

In the event that an offering memorandum (such as this Offering Memorandum), or a record incorporated by reference in or deemed incorporated into the offering memorandum contains a misrepresentation when a person or company resident in Newfoundland and Labrador purchases securities offered by the offering memorandum, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, a 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 person or company shall be liable if the person or company proves that the purchaser had knowledge of the misrepresentation;
- (b) the amount recoverable under the above provisions shall not exceed the price at which the securities were offered under the offering memorandum; and
- (c) in an action for damages, the defendant is not 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.

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 was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable general notice to the issuer that it was sent without the person's or company's knowledge or consent;
- (b) on becoming aware of any misrepresentation in the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of 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 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.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of 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) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation.

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, other than an action for rescission, the earlier of:
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or

- (ii) three years after the date of the transaction that gave rise to the cause of action.

### **Rights for Purchasers in Yukon**

Securities legislation in the Yukon provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against:
  - (i) the issuer;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the issuer at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the issuer; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

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

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no 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.

A person, other than the issuer or selling security holder, is not liable in an action for damages 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

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not 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.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or

- (ii) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Northwest Territories**

Securities legislation in the Northwest Territories provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against
  - (i) the issuer;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the issuer at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the issuer; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

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

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or

- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no 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.

A person, other than the issuer or selling security holder, is not liable in an action for damages 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

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not 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.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Nunavut**

Securities legislation in Nunavut provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against
  - (i) the issuer;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the issuer at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the issuer; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

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

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no 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.

A person, other than the issuer or selling security holder, is not liable in an action for damages 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

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not 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.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the

distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights of Purchasers in British Columbia, Alberta and Québec**

Notwithstanding that the *Securities Act* (British Columbia), the *Securities Act* (Alberta) and the *Securities Act* (Québec) do not provide, or require the issuer to provide to purchasers resident in the Province of Alberta purchasing under the exemption contained in section 2.3 (the “accredited investor exemption”) of NI 45-106 and to purchasers resident in British Columbia and Québec any rights of action in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, the issuer 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.

The rights summarized above are in addition to and without derogation from any other rights or remedy which investors may have at law.

## **SECTION 24 – DIRECTORY**

Additional information as to the Fund and its advisors and agents:

### **Office of the Fund: Picton Mahoney Income Opportunities Fund**

33 Yonge Street, Suite 830  
Toronto, Ontario M5E 1G4

### **Manager and Trustee: Picton Mahoney Asset Management**

33 Yonge Street, Suite 830  
Toronto, Ontario M5E 1G4  
Tel: (416) 955-4108  
Toll Free: 1-866-369-4108  
Fax: (416) 955-4100  
Email: [service@pictonmahoney.com](mailto:service@pictonmahoney.com)

### **Administrator: Citigroup Fund Services Canada, Inc.**

100 - 5900 Hurontario Street  
Mississauga, Ontario  
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Tel: 905-214-8117  
Toll Free: 1-866-866-2635  
Fax: 905-214-8100  
Toll Free Fax: 1-866-877-9477

### **Prime Brokers:**

Goldman, Sachs & Co.  
200 West Street  
New York, New York 10282  
United States

Scotia Capital Inc.  
Scotia Plaza, 65<sup>th</sup> Floor  
40 King Street West  
Box 4085, Station "A"  
Toronto, Ontario M5W 2X6

### **Auditors: PricewaterhouseCoopers LLP**

PwC Tower  
18 York St., Suite 2600  
Toronto, Ontario M5J 0B2

### **Legal Counsel: McMillan LLP**

Brookfield Place, Suite 4400  
181 Bay Street  
Toronto, Ontario M5J 2T3

**TO ALBERTA RESIDENTS PURCHASING UNITS IN RELIANCE ON THE  
EXEMPTION IN SECTION 2.10 OF NATIONAL INSTRUMENT 45-106 PROSPECTUS  
AND REGISTRATION EXEMPTIONS**

Date: March 9, 2015.

**CERTIFICATE**

This offering memorandum does not contain a misrepresentation.

**PICTON MAHONEY INCOME OPPORTUNITIES FUND,**  
by its Manager,  
**PICTON MAHONEY ASSET MANAGEMENT**

By: "David Picton" \_\_\_\_\_  
David Picton  
President

By: "Arthur Galloway" \_\_\_\_\_  
Arthur Galloway  
Chief Financial Officer



c/o Citigroup Fund Services Canada, Inc.  
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