

**CONFIDENTIAL OFFERING MEMORANDUM**

**STACEY MUIRHEAD RSP FUND**

**Continuous Offering**

**October 19, 2015**

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**SUBSCRIPTION PRICE: NET ASSET VALUE PER UNIT**

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*This Confidential Offering Memorandum (the “Offering Memorandum”) constitutes a continuous offering of units (the “Units”) of Stacey Muirhead RSP Fund (the “Fund”) as described herein, on a private placement basis only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale. No securities commission or similar regulatory authority in Canada has reviewed the Offering Memorandum or has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. No prospectus has been filed with any such authority in connection with the securities offered hereunder. The Offering Memorandum is provided to specific prospective investors for the purpose of assisting them and their professional advisers in evaluating the securities offered hereby and is not, and under no circumstances is to be construed as a prospectus or advertisement or a public offering of these securities. No person is authorized to give any information or make any representation not contained in the Offering Memorandum in connection with the offering of these securities and if given or made, any such information or representation may not be relied upon.*

*The securities described herein are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act, are not insured under the provisions of that Act or any other legislation, and are not guaranteed. Under applicable laws, resale of the Units may be subject to indefinite restrictions, other than through redemption of the Units or another available exemption.*

*Stacey Muirhead Capital Management Ltd. (“Stacey”) is the trustee, investment fund manager and portfolio manager of the Fund. Stacey receives a management fee and performance incentive fee from the Fund for its investment fund management and portfolio management services. Stacey also acts as an exempt market dealer with respect to the Units and offers the Units on a private placement basis to qualified investors under applicable securities legislation. There is no commission payable to Stacey in its capacity as an exempt market dealer in respect of Units purchased directly by a subscriber. Stacey also acts as the fund administrator for the Fund but does not receive a fee for providing these services to the Fund. The Fund may be considered a related issuer and/or connected issuer of Stacey under applicable securities legislation due to the various relationships between the Fund and Stacey. Please see “Conflicts of Interest” in the Offering Memorandum.*

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

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## SUMMARY

*The following is a summary of the terms and conditions of an investment in the Fund, and is qualified in its entirety by the more detailed information contained in the Offering Memorandum and the Fund's Declaration of Trust. Unless otherwise defined, capitalized terms used in the Summary have the same meaning as in the Glossary.*

**The Fund:** Stacey Muirhead RSP Fund is an investment fund established as an open-ended trust under the laws of the Province of Ontario pursuant to the Declaration of Trust.

Please see “*The Fund*” and “*Organization and Management Details of the Fund*”.

**The Trustee,  
Investment Fund  
Manager and  
Portfolio Manager:**

Stacey Muirhead Capital Management Ltd.

**Investment  
Objective of the  
Fund:**

The investment objective of the Fund is to utilize the investment philosophy of Stacey to maximize the average annual return on contributed capital for Unitholders while minimizing the risk of permanent impairment of capital.

Please see “*Investment Objective of the Fund*”.

**Investment  
Strategies of the  
Fund:**

To achieve the Fund's investment objective, the assets of the Fund will be invested primarily in equities or equity equivalents of Canadian or non-Canadian corporations for the purpose of long-term capital appreciation. The Fund is also authorized to invest in other securities, including: warrants, rights, Depository Receipts, bonds, debentures, notes, and obligations of any Canadian or non-Canadian company that are convertible or exchangeable into equities of such companies.

From time to time, the Fund will make investments in various fixed income instruments. This will typically occur during periods when Stacey is unable to find attractive equity investment candidates for the Fund.

From time to time, the Fund (provided that it can do so without adverse tax consequences under the Tax Act) will also make event-driven investments in arbitrage and workout situations.

The Fund does not intend to make significant use of derivative instruments. Rather, it is currently expected that the only derivative instruments which may be used by the Fund (provided that it can do so without adverse tax consequences under the Tax Act) will be the limited use of options on exchange traded securities and currency forward contracts on a non-leveraged basis.

Please see “*Investment Strategies of the Fund*”.

**Relationship  
Between the Fund,  
the Trustee and the  
Manager**

Stacey is the trustee, investment fund manager and portfolio manager of the Fund. Stacey receives a management fee and performance incentive fee for its investment fund management and portfolio management services. Stacey does not receive any fees for its trustee related services to the Fund. Stacey also acts as an exempt market dealer with respect to the Units and offers the Units on a private placement basis to qualified investors under applicable securities legislation. There is no commission payable to Stacey in its capacity as an exempt market dealer in respect of Units purchased directly by a subscriber. Stacey also acts as the fund administrator for the Fund but does not receive a fee for providing these services to the Fund. **The Fund may be considered a related and/or connected issuer of Stacey under applicable securities legislation due to the various relationships between the Fund and Stacey.**

Please see “*Conflicts of Interest*”.

**The Offering:**

Investments in the Fund are represented by Units, which are trust units of the Fund. The offering consists of Units being offered on a continuous basis to qualified investors in the Offering Jurisdictions pursuant to available prospectus exemptions in accordance with applicable securities legislation in the Offering Jurisdictions and provided that Stacey has the relevant registrations under applicable securities legislation in the Offering Jurisdictions in which Units are being offered.

The Offering Memorandum sets out the terms of the offering of the Units on a continuous basis to qualified investors pursuant to available exemptions from prospectus requirements under applicable securities legislation.

The offering of Units pursuant to the Offering Memorandum is limited to investors (a) who are accredited investors and invest a minimum of \$150,000 in the Fund, or (b) to whom Units may otherwise be sold.

Stacey reserves the right in its sole discretion, to accept or reject subscriptions in whole or in part not later than two (2) Business Days following receipt by Stacey of such subscription, or to discontinue or suspend the offering of Units at any time and from time to time.

Please see “*The Offering*”.

**Subscription Price:**

The Units are offered at a subscription price equal to the Net Asset Value per Unit on the relevant Valuation Date.

Please see “*The Offering*” and “*Calculation of Net Asset Value*”.

**Subscriptions:**

Units may be purchased as of any Valuation Date. Subscriptions will be processed and Units will be issued on the first day of each month after the applicable Valuation Date at the Net Asset Value per Unit on that Valuation Date. A fully completed Subscription Agreement, along with other account opening documents as specified by Stacey from time to time, must be received by Stacey or its designate prior to 4:00 p.m. (ET) or at least by the Close of Business on the

applicable Valuation Date otherwise the subscription will be processed as at the next Valuation Date. Units may only be purchased in Canadian dollars.

Please see “*The Offering – Subscription Procedure*”.

**Minimum  
Individual  
Subscription:**

The minimum initial investment amount for the Units is \$150,000. Stacey may in its sole discretion waive, reduce or increase the initial minimum investment amount and/or the additional investment amount for investors at any time, subject to applicable laws.

Additional investments may be made in any amount or such minimum additional investment amount required by securities legislation. For investors who are not accredited investors, an additional investment may be made in the Fund provided that (a) the investor initially acquired Units for an acquisition cost of not less than \$150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a Net Asset Value equal to at least \$150,000; or (b) another exemption is available.

Please see “*The Offering - Minimum Investment Amounts and Additional Investment Amounts*”.

**Redemptions:**

Redemptions of Units are generally permitted on a monthly basis as at any Valuation Date. Unitholders should send a written notice of redemption prior to 4:00 p.m. (ET) or at least the by Close of Business on the applicable Valuation Date provided however that Stacey has the right to waive or vary the cut-off time at its sole discretion. Any request for redemption entered after such time will be processed on the next Valuation Date at the then calculated Net Asset Value per Unit unless otherwise determined by Stacey in its sole discretion. Redemption requests are irrevocable.

*No redemption fees are payable with respect to the redemption of the Units.*

Redemption proceeds shall be paid as soon as practicable and generally within ten (10) days of the date of redemption after the receipt of a redemption request in the proper form is processed, provided that the Unitholder’s cheque in payment for the subscription proceeds of those Units being redeemed has been cleared. Redemption proceeds may be paid in cash or in kind or a combination thereof at Stacey’s sole discretion.

Redemptions may be suspended in whole or in part in certain circumstances at the sole discretion of Stacey, as described later in the Offering Memorandum.

Stacey has the discretion to mandate a Unitholder to redeem some or all of the Units owned by such Unitholder after giving the Unitholder prior written notice of at least thirty (30) days to that effect (the “**Mandatory Redemption Notice**”). Any such mandatory redemption requested by Stacey shall be processed at the

Net Asset Value per Unit at the closing time on the Valuation Date immediately following the date of expiration of the notice period specified in the Mandatory Redemption Notice.

Please see “*Redemptions*”.

**Calculation of Net Asset Value:**

The Net Asset Value of the Fund shall be the then fair market value of the Fund Property at the time the calculation is made less the amount of its liabilities at that time. The Net Asset Value per Unit shall be the quotient obtained by dividing the amount equal to the Net Asset Value of the Fund by the total number of outstanding Units, including fractions of Units. The Net Asset Value of the Fund and the Net Asset Value per Unit shall be computed by Stacey as at the Close of Business on every Valuation Date.

Please see “*Calculation of Net Asset Value*”.

**Management Fee:**

As compensation for management services, a management fee will be payable monthly to Stacey by the Fund, at a maximum annual rate of 1% of the aggregate Net Asset Value of the Fund. The fee is calculated monthly as at each Valuation Date and payable monthly in arrears. The management fee is subject to applicable taxes, including HST and/or GST, as applicable.

Please see “*Fees and Expenses – Management Fee*”.

**Performance Incentive Fee:**

The performance incentive fee is payable to Stacey for each fiscal year of the Fund, if the Net Asset Value per Unit (before taking into account any performance incentive fee payable for that particular year on the last Valuation Date of the fiscal year) is greater than the Performance Fee Threshold. Conceptually, the purpose of the Performance Fee Threshold is to provide a cumulative high water mark to which a performance incentive fee is assessed. This ensures that a performance incentive fee is only payable to Stacey on succeeding increases in Net Asset Value per Unit, with no reset to the Performance Fee Threshold. In addition, the Performance Fee Threshold increases by the Average Risk Free Rate of Return in each year, regardless of whether a performance incentive fee is payable or not.

The performance incentive fee is payable on the last Valuation Date of a fiscal year and is determined on an annualized basis for Units held for partial fiscal years. The amount of the performance incentive fee, if any, is calculated as follows: the Pre-Performance Incentive Fee Net Asset Value per Unit less the Performance Fee Threshold multiplied by the number of Units issued and outstanding as at the Valuation Date multiplied by 20%. This performance incentive fee is subject to all applicable taxes, including HST and/or GST, as applicable, which will be added to the performance incentive fee to arrive at the total fee payable to Stacey as at the last Valuation Date. If the result of this calculation is zero, or less than zero, no performance incentive fee is payable for the respective year.

For purposes of calculating the Net Asset Value per Unit on a particular Valuation Date, which is not the last Valuation Date of the fiscal year, Stacey will include in the determination of liabilities, an amount for a performance incentive fee, determined on the same basis as the above, however, the Average Risk Free Rate of Return will be adjusted to the number of months that have passed in the fiscal year (ie for greater clarity, if May 31<sup>st</sup> is the Valuation Date, the Average Risk Free Rate of Return is the sum of the Monthly Risk Free Rate of Return for

January through May, inclusive, divided by five).

**“Average Risk Free Rate of Return”** means the sum of each of the Monthly Risk Free Rate of Return for each month of the fiscal year divided by the number of months of the same fiscal year.

**“Monthly Risk Free Rate of Return”** means the month-end Bank of Canada Rate less 25 basis points.

**“Pre-Performance Incentive Fee Net Asset Value per Unit of the Fund”** means the Net Asset Value per Unit on the last Valuation Date of the fiscal year, but excluding any performance incentive fee for that particular year, and dividing it by the number of Units issued and outstanding at that time.

**“Performance Fee Threshold”** means

- a. at the end of the first fiscal year, the Initial Subscription Price per Unit plus the Average Risk Free Rate of Return for the first fiscal year; and
- b. for any subsequent year, the Net Asset Value per Unit as at the end of the last fiscal year in which a Performance Incentive Fee was payable plus the Average Risk Free Rate of Return for each year from that date.

Please see *“Fees and Expenses – Performance Incentive Fee”*.

**Expenses:**

Except as otherwise provided in the Declaration of Trust, all expenses of the Fund shall be paid from the Fund, including but not limited to: (a) brokerage fees and other fees and disbursements directly relating to the implementation of transactions for the portfolio of the Fund; (b) any taxes (and any interest and penalties with respect thereto) payable by the Fund or to which the Fund may be subject; (c) interest expenses, if any; (d) custody and safekeeping charges relating to the Fund’s activities; (e) audit, accounting, tax related services and any expenses and legal fees of the Fund; (f) expenses of conducting Unitholder meetings; and (g) expenses incurred upon termination of the Fund. Stacey is entitled to reimbursement of expenses that are reasonably incurred and impact the daily operations of the Fund.

Stacey may, in its sole discretion, decide to pay for, or otherwise absorb, some or all of the operating expenses of the Fund from time to time.

Please see *“Fees and Expenses – Expenses”*.

**Dealer Compensation:**

Stacey acts as the exempt market dealer of the Fund, and offers the Units on a private placement basis. There is no commission payable to Stacey in its capacity as an exempt market dealer in respect of Units purchased directly by a subscriber.

Please see *“Dealer Compensation”*.

**Reports to Unitholders:**

Within ninety (90) days after the end of each fiscal year, Stacey will forward to each Unitholder, an annual report for such fiscal year consisting of (i) audited financial statements for such fiscal year together with a report of the auditor on such financial statements; and (ii) tax information to enable each Unitholder to properly complete and file his, her or its tax returns in Canada in relation to an

investment in Units.

Within sixty (60) days following the end of the first six months of each fiscal year, Stacey will forward to each Unitholder (subject to standing instructions obtained from each Unitholder in accordance with NI 81-106), unaudited semi-annual financial statements.

Stacey will also forward to each Unitholder quarterly reports setting out the assets and portfolio securities owned by the Fund.

Additional interim reporting to Unitholders will be at the discretion of Stacey and as required by applicable laws.

Please see “*Summary of the Declaration of Trust – Reports to Unitholders*”.

**Distributions:**

The Fund shall be required to distribute to the Unitholders such portion of its net income and net realized capital gains (determined in accordance with the Declaration of Trust) or such portion of the capital of the Fund as Stacey may determine as will result in the Fund paying no tax under Part I of the Tax Act in any taxation year (the “**Distribution Amount**”).

The Distribution Amount shall be payable on each Distribution Date to the Unitholders. The distributions shall be paid *pro rata* based on the number of Units held by a Unitholder at the Close of Business of the record keeper of the Fund on the Distribution Date as of which such amounts are to be determined.

The Distribution Amount will be automatically reinvested in additional Units at the Net Asset Value per Unit calculated on the Distribution Date on which such amount was first payable to the Unitholder. Immediately following the reinvestment of distributions, the number of Units outstanding will be automatically consolidated so that the Net Asset Value per Unit after the reinvestment is the same as it was immediately before the amount was considered to have been declared as due and payable by the Fund.

Please see “*Distributions*”.

**Fiscal Year End:**

December 31<sup>st</sup> in each year.

**Eligibility for Investments:**

Units of the Fund will be qualified investments for trusts governed by Tax Deferred Plans provided that the Fund qualifies as a “mutual fund trust” or is a registered investment under the Tax Act.

Annuitants of registered retirement savings plans and registered retirement income funds should consult with their own tax advisers as to whether Units would be a “prohibited investment” under the Tax Act in their particular circumstances. Provided that the annuitant of the registered retirement savings plan or registered retirement income fund does not hold a “significant interest” (as defined in the Tax Act) in the Fund and that such annuitant or holder deals at arm’s length with the Fund or provided that Units of the Fund are “excluded property” (as defined in the Tax Act) the Units will not be prohibited investments for a trust governed by such registered retirement savings plan or registered

investment income fund. As of the date of this Offering Memorandum, the Fund is a “registered investment” under the Tax Act.

Please see “*Eligibility for Investments*”.

**Tax Considerations:**

A prospective Unitholder should carefully consider all of the potential tax consequences of an investment in the Units and should consult with their tax advisor before subscribing for the Units. **Investors are urged to consult with their tax advisors to determine the tax consequences of an investment in the Fund.**

Please see “*Canadian Income Tax Considerations*”.

**Transfer or Resale of Units:**

Units may only be transferred if permitted under the Offering Memorandum or with the written consent of Stacey, as described later in the Offering Memorandum. The transfer or resale of Units (which does not include a redemption of Units) is also subject to restrictions under applicable securities legislation. Accordingly, redemption of the Units in accordance with the provisions set out herein is likely to be the only means of liquidating an investment in the Fund.

Please see “*Transfers or Resale*” and “*Legal Matters - Purchase and Resale Restrictions*”.

**Release of Confidential Information:**

Under applicable securities and anti-money laundering legislation, Stacey is required to collect and may release confidential information about Unitholders and, if applicable, about the beneficial owners of corporate Unitholders, to regulatory or law enforcement authorities.

Please see “*Anti-Terrorism and Anti-Money Laundering Legislation*”.

**Risk Factors:**

**Investors should consider a number of factors in assessing the risks associated with investing in Units including those generally associated with the investment techniques used by Stacey.**

Please see “*Risk Factors*”.

**Auditor:**

Ernst & Young LLP, London, Ontario.

**Fund Administrator:**

Stacey Muirhead Capital Management Ltd., Waterloo, Ontario.

**Custodian:**

RBC Investor Services Trust, Toronto, Ontario.

## STATUTORY CAUTION

The disclosure in the Offering Memorandum or in materials deemed to be incorporated into the Offering Memorandum, regarding the investment strategies and intentions of the Fund may constitute “forward-looking information” for the purpose of applicable securities legislation, as it may contain statements of Stacey’s intended course of conduct and future operations of the Fund. These statements are based on assumptions made by Stacey of the success of its investment strategies in certain market conditions, relying on the experience of Stacey’s officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by Stacey 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 Stacey’s intended strategies as well as its actual course of conduct. Investors are urged to read “*Risk Factors*” for a discussion of other factors that will impact the operations and success of the Fund.

## GLOSSARY

“**Accounting Principles**” means generally accepted accounting principles as applicable to publicly accountable enterprises and set out in the CPA Canada Handbook;

“**ADRs**” means American Depository Receipts;

“**Anti-Money Laundering Laws**” has the meaning assigned under “*Anti-Terrorism and Anti-Money Laundering Legislation*”;

“**Auditor**” means the auditor of the Fund, and as of the date of the Offering Memorandum is Ernst & Young LLP, London, Ontario;

“**Average Risk Free Rate of Return**” has the meaning assigned under “*Fees and Expenses – Performance Incentive Fee*”;

“**Business Day**” means any day on which the TSX is open for trading;

“**Close of Business**” means the time at which trading ceases on the TSX on a particular date, or when used in connection with the valuation of a particular security not listed on the TSX, such term shall mean the time at which trading ceases in the relevant market for such security;

“**CRA**” means the Canada Revenue Agency;

“**Declaration of Trust**” means the declaration of trust governing the Fund dated February 20, 2004, as amended and restated on February 1, 2008, and as further amended and restated on October 19, 2015, as may be further amended, restated or supplemented from time to time;

“**Depository Receipts**” means sponsored or unsponsored depository receipts typically issued by a bank or trust company which evidence ownership of underlying securities by a corporation;

“**Distribution Amount**” has the meaning assigned under “*Distributions*”;

“**Distribution Date**” means the Close of Business on the last Valuation Date in each taxation year;

“**Fund**” means Stacey Muirhead RSP Fund;

“**Fund Property**” has the meaning assigned in the Declaration of Trust, and at any time, means any and all moneys, securities, property and assets, real and personal, tangible and intangible, transferred, conveyed or paid to the Fund including:

- (a) all funds realized from the sale of Units of the Fund;
- (b) all investments, sums or property of any type of description from time to time delivered to Stacey or held for its account and accepted by Stacey in accordance with the Declaration of Trust for the purposes of the Fund;
- (c) any proceeds of disposition of any of the foregoing property and assets; and
- (d) all income, interest, profit, gains, and accretions and additional rights arising from or accruing to such foregoing property or such proceeds of disposition.

“**Fund Termination Date**” has the meaning assigned under “*Summary of the Declaration of Trust – Term and Termination of the Fund*”;

“**IGA**” means the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the U.S.;

**“Initial Subscription Price per Unit** means \$10.00 per Unit;

**“Manager”** means Stacey Muirhead Capital Management Ltd. as the investment fund manager and portfolio manager of the Fund;

**“Mandatory Redemption Notice”** has the meaning assigned under *“Redemptions – Redemption at the Demand of the Manager”*;

**“material facts”** means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the Units;

**“Misrepresentation”** has the meaning assigned under each Offering Jurisdiction’s respective securities legislation, but generally means, an untrue statement of a material fact, or an omission to state a material fact that is required to be stated, or that is necessary to make a statement not misleading in light of the circumstances in which it was made;

**“Monthly Risk Free Rate of Return”** has the meaning assigned under *“Fees and Expenses – Performance Incentive Fee”*;

**“Net Asset Value”** means the net asset value of the Fund as calculated under *“Calculation of Net Asset Value”*;

**“Net Asset Value per Unit”** means the Net Asset Value of a Unit of the Fund;

**“NI 33-105”** means National Instrument 33-105 – *Underwriting Conflicts* of the Canadian Securities Administrators, as amended or replaced from time to time;

**“NI 45-106”** means National Instrument 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators, as amended or replaced from time to time;

**“NI 81-106”** means National Instrument 81-106 – *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, as amended or replaced from time to time;

**“Offering Jurisdictions”** means all of the provinces and territories in Canada where the Units are being offered on a continuous basis to qualified investors pursuant to available prospectus exemptions in accordance with applicable securities legislation in such jurisdictions, and provided that Stacey has the relevant registrations under applicable securities legislation in such jurisdictions;

**“Performance Fee Threshold”** has the meaning assigned under *“Fees and Expenses – Performance Incentive Fee”*;

**“Pre-Performance Incentive Fee Net Asset Value per Unit of the Fund”** has the meaning assigned under *“Fees and Expenses – Performance Incentive Fee”*;

**“Stacey”** means Stacey Muirhead Capital Management Ltd., the trustee, investment fund manager, portfolio manager, and exempt market dealer of the Fund;

**“Subscription Agreement”** means the subscription agreement executed by a Unitholder to acquire Units of the Fund;

**“Tax Act”** means the *Income Tax Act* (Canada), and the regulations thereunder, as amended from time to time;

“**Tax Deferred Plans**” means registered retirement savings plans, registered retirement income funds and deferred profit sharing plans, for which the Fund has registered investment status;

“**Trustee**” means Stacey Muirhead Capital Management Ltd., as the trustee of the Fund;

“**Trustee Party**” has the meaning assigned under “*Summary of the Declaration of Trust – Liability and Indemnification of the Trustee*”;

“**TSX**” means the Toronto Stock Exchange;

“**Unit**” means a trust unit which represents the beneficial interest, rights and obligations of the holder thereof in the Fund at any time, as set out in the Declaration of Trust and having such attributes as described herein and in the Declaration of Trust, and “**Units**” means more than one Unit;

“**Unitholders**” refers collectively to the holder of Units, and a reference to a “**Unitholder**” will be to any one of the Unitholders; and

“**Valuation Date**” means the last Business Day of each month or such other date as may be determined from time to time by Stacey, and in any event, December 31<sup>st</sup> of each year or any such other day as determined from time to time by Stacey; and

“**Valuation Time**” means the Close of Business on a Valuation Date or such other time as Stacey, in its discretion, deems appropriate to determine the Net Asset Value per Unit and the Net Asset Value of the Fund.

## **THE FUND**

Stacey Muirhead RSP Fund is an open-end investment fund trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

The trustee, investment fund manager, portfolio manager and exempt market dealer of the Fund is Stacey Muirhead Capital Management Ltd.

The principal office of the Fund and Stacey is located at 20 Erb Street West, Suite 1200, Waterloo, Ontario, N2L 1T2.

### **INVESTMENT OBJECTIVE OF THE FUND**

The investment objective of the Fund is to utilize the investment philosophy of Stacey to maximize the average annual return on contributed capital for Unitholders while minimizing the risk of permanent impairment of capital.

### **INVESTMENT STRATEGIES OF THE FUND**

To achieve the Fund's investment objective, the assets of the Fund will be invested primarily in equities or equity equivalents of Canadian or non-Canadian corporations for the purpose of long-term capital appreciation. The Fund is also authorized to invest in other securities, including: warrants, rights, Depository Receipts, bonds, debentures, notes, and obligations of any Canadian or non-Canadian company that are convertible or exchangeable into equities of such companies.

From time to time, the Fund will make investments in various fixed income instruments. This will typically occur during periods when Stacey is unable to find attractive equity investment candidates for the Fund.

From time to time, the Fund (provided that it can do so without adverse tax consequences under the Tax Act) will also make event-driven investments in arbitrage and workout situations. Arbitrage and workout investing typically involves the pursuit of profits from an announced corporate event such as the sale, merger, recapitalization, reorganization or liquidation of a company. The Fund will only participate in arbitrage and workout situations that have been publicly announced.

The Fund will not specialize in any one kind or class of industry other than to concentrate investments in those industries which from time to time appear to offer the best opportunities for meeting the Fund's investment objective.

The Fund does not intend to make significant use of derivative instruments. Rather, it is currently expected that the only derivative instruments which may be used by the Fund (provided that it can do so without adverse tax consequences under the Tax Act) will be the limited use of options on exchange traded securities and currency forward contracts. Such instruments would only be used on a non-leveraged basis for the purpose of (i) offsetting or reducing stock market fluctuations; (ii) reducing transaction costs; (iii) increasing speed and flexibility in making portfolio changes; or (iv) offsetting or reducing currency value fluctuations.

The Fund will follow the investment strategies and restrictions described above under normal circumstances. Stacey may, in special market situations, deviate from such strategies and restrictions on a temporary basis.

## **General Investment Restrictions**

Although it is in the interest of the Fund to have considerable flexibility in making investment decisions, the Fund has established a number of investment restrictions and policies which are intended to operate for the benefit and protection of Unitholders of the Fund.

Without the approval of the Unitholders who vote on such matters in person or by proxy at a meeting of the Unitholders, the Fund will not:

- (a) invest more than one third of the total capital of the Fund at any one time into any single class or series of a class of securities of any issuer (other than treasury bills and other debt instruments guaranteed by a sovereign nation, state or province) based on cost at the time of the investment; or
- (b) cause the Net Asset Value of the Fund to incur liabilities in an amount greater than 50% of the Net Asset Value of the Fund.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **The Trustee and Manager**

Stacey is the trustee, investment fund manager, portfolio manager and exempt market dealer of the Fund, and is incorporated under the *Business Corporations Act* (Ontario). Stacey was previously named Jeffrey D. Stacey & Associates Ltd. and changed its name on December 1, 2007.

Stacey is registered as an investment fund manager, portfolio manager and exempt market dealer with the Ontario Securities Commission, and as a portfolio manager and exempt market dealer with the Alberta Securities Commission.

Stacey will direct the business, operations and affairs of the Fund and is responsible for the day-to-day business of the Fund.

The following individual is principally responsible for the portfolio management of the Fund:

*Jeffrey D. Stacey, Chairman and Chief Executive Officer*

Jeffrey Stacey is the Founder of Stacey Muirhead Capital Management Ltd. Jeff has almost 30 years of investment industry experience. Prior to starting Stacey Muirhead Capital Management Ltd., he was employed with a boutique Toronto investment firm where he was also a shareholder.

### **Powers and Duties as Trustee**

Stacey is the trustee of the Fund in accordance with the terms of the Declaration of Trust.

Subject only to the specific limitations in the Declaration of Trust, Stacey, in its capacity as Trustee, shall have full, absolute and exclusive power, control and authority over the Fund Property and over the business and affairs of the Fund.

As Trustee, Stacey shall exercise and shall ensure that its directors, officers and employees and any person retained by Stacey to discharge any of Stacey's responsibilities to the Fund, exercise the powers and discharge the duties of its office honestly and in good faith and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Stacey will not receive any fees in respect of the provision of services as Trustee for the Fund and will only be entitled to reasonable out-of-pocket expenses incurred by Stacey on behalf of the Fund in connection with its duties as Trustee.

Stacey will also be indemnified and saved harmless by the Fund as more fully described under “*Summary of the Declaration of Trust – Liability and Indemnification of the Trustee*”.

Please see “*Summary of the Declaration of Trust*”.

### **Powers and Duties as Manager**

Stacey, in its capacity as the Manager, will act as the investment fund manager and portfolio manager of the Fund, and in such capacity shall be responsible for the investment management of the Fund in accordance with and subject to the terms of the Declaration of Trust and applicable laws. Stacey will also provide investment advisory and portfolio management services to the Fund, which will include making all investment decisions, investing the net proceeds of each issuance of Units in the Fund’s portfolio and managing the Fund’s portfolio in accordance with the investment objective of the Fund. Stacey, in its discretion and capacity as the Manager, may delegate certain of its powers to third parties where it would be in the best interest of the Fund to do so.

The management services of Stacey are not exclusive and nothing herein or in the Declaration of Trust prevents Stacey from providing similar management services to other investment funds and other clients (whether or not their investment objective and policies are similar to those of the Fund) or from engaging in other activities.

In its capacity as the Manager, Stacey will receive fees for managing the investment portfolio of the Fund, and is entitled to a performance incentive fee from the Fund and to be reimbursed for all expenses and liabilities which are properly incurred by it in connection with the activities of the Fund. Please see “*Fees and Expenses*”.

Stacey has the right to appoint sub-advisors in its sole discretion if it determines that such appointment is in the best interest of the Fund. In the event that a sub-advisor is appointed, Stacey shall retain principal responsibility for the investment activities of the Fund.

## **THE OFFERING**

Investments in the Fund are represented by Units, which are trust units of the Fund. The offering consists of Units being offered on a continuous basis to qualified investors in the Offering Jurisdictions pursuant to available prospectus exemptions in accordance with applicable securities legislation in the Offering Jurisdictions and provided that Stacey has the relevant registrations under applicable securities legislation in the Offering Jurisdictions in which Units are being offered.

The Offering Memorandum sets out the terms of the offering of the Units on a continuous basis to qualified investors under available exemptions from prospectus requirements pursuant to applicable securities legislation. Fractional Units may be issues up to 1/1000<sup>th</sup> of a Unit.

The offering of Units pursuant to the Offering Memorandum is limited to investors (a) who are accredited investors and invest a minimum of \$150,000 in the Fund, or (b) to whom Units may otherwise be sold.

Purchasers will be required to make certain representations in the Subscription Agreement and Stacey will rely on such representations to establish the availability of the exemptions from prospectus requirements described above.

Investors who are accredited investors solely on the basis that they have net assets of at least \$5,000,000, must also represent to Stacey (and may be required to provide additional evidence at the request of Stacey to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor.

A list of qualification criteria for accredited investors is set out in the Subscription Agreement delivered with the Offering Memorandum, but generally includes individuals who have net investment assets of at least \$1,000,000, or personal income of at least \$200,000 or combined spousal income of at least \$300,000 (in the previous two years, with reasonable prospects of the same in the current year).

**The so-called “Offering Memorandum Exemption” is not being relied on, and investors do not have the benefit of certain additional protections that applicable securities legislation give to investors when an issuer relies on the Offering Memorandum Exemption.**

Stacey reserves the right in its sole discretion, to accept or reject subscriptions in whole or in part, or to discontinue or suspend the offering of Units at any time and from time to time.

### **Minimum Investment Amounts and Additional Investment Amounts**

The minimum initial investment amount for the Units is \$150,000. Stacey may in its sole discretion waive, reduce or increase the initial minimum investment amount and/or the additional investment amount for investors at any time, subject to applicable laws.

Additional investments may be made in any amount or such minimum additional investment amount required by securities legislation. For investors who are not accredited investors, an additional investment may be made in the Fund provided that (a) the investor initially acquired Units for an acquisition cost of not less than \$150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a Net Asset Value equal to at least \$150,000; or (b) another exemption is available.

The offering is not subject to any minimum aggregate subscription level, and therefore any monies invested are available to the Fund and need not be refunded to the subscriber.

### **Eligible Investors**

Any investor that is or becomes a “non-resident” or partnerships that are not “Canadian partnerships” or a “financial institution” within the meaning of the Tax Act shall disclose such status to the Fund at the time of subscription (or when such status changes) and the Fund may restrict the participation of any such investor or require the redemption of all or some of such investor's Units in accordance with the Declaration of Trust.

### **Registered Plans and Prohibited Investments**

If the Fund qualifies as a “mutual fund trust” or a “registered investment” under the Tax Act, Units will be qualified investments under the Tax Act for Tax Deferred Plans. Annuitants of registered retirement savings plans, and registered retirement income funds should consult with their own tax advisers as to whether Units would be a “prohibited investment” under the Tax Act in their particular circumstances. Provided that the annuitant of the registered retirement savings plan or registered retirement income fund does not hold a “significant interest” (as defined in the Tax Act) in the Fund and that such annuitant or holder deals at arm’s length with the Fund or provided that Units of the Fund are “excluded property” (as defined in the Tax Act) the Units will not be prohibited investments for a trust governed by such

registered retirement savings plan, or registered investment income fund. **As of the date of this Offering Memorandum, the Fund is a “registered investment” under the Tax Act.**

### **Subscription Price**

The Units are offered at a subscription price equal to the Net Asset Value per Unit on the relevant Valuation Date.

### **Subscription Procedure**

Units may be purchased as of any Valuation Date. Subscriptions will be processed and Units will be issued on the first day of each month after the applicable Valuation Date at the Net Asset Value per Unit on that Valuation Date. A fully completed Subscription Agreement must be received by Stacey or its designate prior to 4:00 p.m. (ET) or at least by the Close of Business on the applicable Valuation Date otherwise the subscription will be processed as at the next Valuation Date.

Subscription proceeds must be paid by cheque payable to “Stacey Muirhead RSP Fund” or such other payee as may be specified by Stacey or its designate, or by way of an electronic funds transfer. Subscription orders may be sent to Stacey by courier, priority post, or electronic means as Stacey may specify from time to time.

Units may only be purchased in Canadian dollars.

No subscription will be accepted unless Stacey is satisfied that the subscription is in compliance with applicable securities legislation.

Stacey reserves the right in its sole discretion, to accept or reject subscriptions in whole or in part not later than two (2) Business Days following receipt by Stacey of such subscription, or to discontinue or suspend the offering of Units at any time and from time to time.

Unless it has obtained professional advice that in accepting such subscriptions the registered investment status of the Fund is not adversely affected, Stacey will not accept a subscription agreement from or register as the owner of any Unit, an entity that is or would be:

- (a) a “tax shelter” or a “tax shelter investment”, or a person an interest in which is a “tax shelter investment” or in which a “tax shelter investment” has an interest, within the meaning of the Tax Act;
- (b) a “designated beneficiary” of the Fund within the meaning of Part XII.2 of the Tax Act if, as a consequence thereof, the Fund may become liable for tax under Part XII.2 of the Tax Act;
- (c) a “financial institution” as defined in the Tax Act for the purposes of the mark-to-market rules, if the Fund would be deemed to be a “financial institution” under such rules as a result of such subscription or issuance of Units; or
- (d) a partnership which does not have a prohibition against investment by the foregoing persons.

If at any time Stacey becomes aware that Units are beneficially owned by one or more persons described above, the Fund may redeem all or any portion of the Units on such terms as Stacey deems appropriate in the circumstances. All subscriptions for and/or transfers of Units will, if required by Stacey, be accompanied by evidence satisfactory to Stacey confirming that the investor making the subscription or transfer is not and will not be a “designated beneficiary” of the Fund.

Subscription funds provided prior to a Valuation Date on which Units are being subscribed will be kept in a non-interest bearing account.

## **REDEMPTIONS**

Redemptions of Units are generally permitted on a monthly basis as at any Valuation Date. Unitholders should send a written notice of redemption prior to 4:00 p.m. (ET) or at least the by Close of Business on the applicable Valuation Date provided however that Stacey has the right to waive or vary the cut-off time at its sole discretion. Any request for redemption entered after such time will be processed on the next Valuation Date at the then calculated Net Asset Value per Unit unless otherwise determined by Stacey in its sole discretion. Redemption requests are irrevocable.

*No redemption fees are payable with respect to the redemption of the Units.*

Redemption proceeds shall be paid as soon as practicable and generally within ten (10) days of the date of redemption after the receipt of a redemption request in the proper form is processed, provided that the Unitholder's cheque in payment for the subscription proceeds of those Units being redeemed has been cleared. Redemption proceeds may be paid in cash or in kind or a combination thereof at Stacey's sole discretion.

### **Suspension of Redemptions**

Stacey may suspend redemptions of Units or payments in respect thereof at its sole discretion in whole or in part for any period:

- (a) in which Stacey determines in its sole discretion that (i) conditions exist that render the sale of assets of the Fund impractical or which impair the ability of the Fund to determine the value of any of the Fund's assets; (ii) the market is acting irrationally and does not allow for proper liquidity and fair pricing for securities; or (iii) there are insufficient liquid assets in the Fund to fund such redemptions or that the liquidation of assets would be detrimental to the Fund;
- (b) in which normal trading is suspended on any securities exchange on which securities are listed and posted for trading, if those securities represent more than 50% by value, or underlying market exposure, of the total Net Asset Value of the Fund;
- (c) when required to do so under securities legislation or any exemptive relief granted under securities legislation.

Any suspension may, at the discretion of Stacey, 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 be advised by Stacey of the suspension and that redemption requests previously received will be honoured as of the first Valuation Date following the termination of the suspension at the then calculated Net Asset Value per Unit. All such Unitholders will be advised that they have the right to withdraw any requests for redemption previously submitted.

The suspension shall 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. Unless otherwise required by applicable laws, any declaration of suspension of redemption made by the Manager shall be conclusive.

## **Redemption at the Demand of the Manager**

Stacey has the discretion to mandate a Unitholder to redeem some or all of the Units owned by such Unitholder after giving the Unitholder prior written notice of at least thirty (30) days to that effect (the “**Mandatory Redemption Notice**”). Any such mandatory redemption requested by Stacey shall be processed at the Net Asset Value per Unit at the closing time on the Valuation Date immediately following the date of expiration of the notice period specified in the Mandatory Redemption Notice.

## **TRANSFER OR RESALE**

As the Units offered by this Offering Memorandum are being distributed pursuant to exemptions from the prospectus requirements of applicable securities legislation, the resale of these securities by qualified investors is subject to restrictions. There is no market for these Units and no market is expected to develop, therefore it may be difficult or even impossible for the purchaser to sell the Units.

Units may only be transferred if permitted under the Offering Memorandum or with the written consent of Stacey, to transfer all or, subject to any minimum investment requirements prescribed by Stacey, any part of the Units registered in the Unitholder’s name at any time by giving prior written notice to Stacey, which notice shall (a) contain a clear request that a specified number of Units (or fractions thereof) be transferred, (b) provide the full name and address of the transferee, (c) be irrevocable and (d) contain the signature of the transferor or his authorized agent or representative thereon. Stacey in its discretion may prescribe the minimum dollar value of Units which may be transferred, provided any such amount shall be disclosed in this Offering Memorandum. Neither Stacey nor the Fund shall have any obligation to ensure that any transfer of Units is made in accordance with applicable laws, that any necessary filings with regulatory bodies having jurisdiction over the Fund are made, or that taxes payable in respect of a transfer, if any, are so paid.

The transfer or resale of Units (which does not include a redemption of Units) is also subject to restrictions under applicable securities legislation. Accordingly, redemption of the Units in accordance with the provisions set out herein is likely to be the only means of liquidating an investment in the Fund.

Subscribers are advised to consult with their advisers concerning restrictions on resale and are further advised against reselling their Units until they have determined that any such resale is in compliance with the requirements of applicable laws.

## **CALCULATION OF NET ASSET VALUE**

Stacey acts as the fund administrator and is responsible for calculation of the Net Asset Value of the Fund and the Net Asset Value per Unit.

The Net Asset Value of the Fund shall be the then fair market value of the Fund Property at the time the calculation is made less the amount of its liabilities at that time. The Net Asset Value per Unit shall be the quotient obtained by dividing the amount equal to the Net Asset Value of the Fund by the total number of outstanding Units, including fractions of Units. The Net Asset Value of the Fund and the Net Asset Value per Unit shall be computed by Stacey, as herein provided as at the Close of Business on every Valuation Date. The number of Units, the fair market value of the assets and the amount of the liabilities of the Fund shall be calculated in such manner as Stacey, shall determine from time to time, subject to the following:

- (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 Stacey 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 as Stacey determines to be the reasonable value thereof;

- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as Stacey, 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 Valuation Time 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 or other asset for which a market quotation is not readily available shall be fair market value as determined by Stacey;
- (e) 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;
- (f) 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;
- (g) 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 shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value of the Fund. 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;
- (h) 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 the Valuation 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;
- (i) 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;
- (j) all Fund Property valued in 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 Stacey;

- (k) all expenses or liabilities (including fees payable to Stacey) of the Fund shall be calculated on an accrual basis; and
- (l) the value of any security or property to which, in the opinion of Stacey, 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 Stacey from time to time provides. In addition, Stacey may determine such other rules as they deem necessary from time to time, which rules may deviate from Accounting Principles, provided that such deviations are in the best interest of the Fund and are consistent with industry practices for investment funds similar to the Fund.

Net Asset Value calculated in this manner will be used for the purpose of calculating Stacey's (and other service providers') fees, if any, and will be published net of all paid and payable fees. Such Net Asset Value will be used to determine the subscription price and redemption value of Units. To the extent that such calculations are not in accordance with Accounting Principles, the financial statements of the Fund will include a reconciliation note explaining any difference between such published Net Asset Value and Net Asset Value for financial statement reporting purposes (which must be calculated in accordance with Accounting Principles).

### **SUMMARY OF THE DECLARATION OF TRUST**

The rights and obligations of the Trustee are governed by the Declaration of Trust.

**The following is a summary of the Declaration of Trust. This summary is not intended to be complete and each investor should carefully review the Declaration of Trust itself for full details of these provisions. Unitholders are entitled to a copy of the Declaration of Trust upon making a request to Stacey.**

#### **The Units**

The beneficial interest in the Fund shall be divided into interests of one class of equal value, referred to as Units and fractions thereof. Units and fractions thereof shall be issued only as fully paid and once issued, shall be non-assessable.

There shall be no limit to the number of Units that may be issued and no Unit or fraction thereof shall have any rights, preference or priorities over any other Unit. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holders thereof to notice of, or to attend or to vote at, meetings of Unitholders. Subject to the foregoing, a fractional Unit shall have attached thereto the rights, restrictions, conditions and limitations attaching to a whole Unit in the proportion that the fractional Unit bears to a whole Unit. Stacey, as the Trustee, may be a Unitholder of the Fund.

Each Unitholder shall be entitled to one vote for each whole Unit held by the Unitholder.

No certificates will be issued in respect of the Units purchased.

#### **Redemptions**

Redemption rights are described under "*Redemptions*".

## **Distributions**

Distribution rights are described under “*Distributions*”.

## **Reports to Unitholders**

Within ninety (90) days after the end of each fiscal year, Stacey will forward to each Unitholder, an annual report for such fiscal year consisting of (i) audited financial statements for such fiscal year together with a report of the auditor on such financial statements; and (ii) tax information to enable each Unitholder to properly complete and file his, her or its tax returns in Canada in relation to an investment in Units.

Within sixty (60) days following the end of the first six months of each fiscal year, Stacey will forward to each Unitholder (subject to standing instructions obtained from each Unitholder in accordance with NI 81-106), unaudited semi-annual financial statements.

Stacey will also forward to each Unitholder quarterly reports setting out the assets and portfolio securities owned by the Fund.

Additional interim reporting to Unitholders will be at the discretion of Stacey and as required by applicable laws.

## **Fiscal Year**

The fiscal year of the Fund is December 31<sup>st</sup> in each year.

## **Unitholder Meetings**

Stacey shall, upon the written request of Unitholders holding not less than 50% of the outstanding Units of the Fund, call a meeting of Unitholders; provided that in the event of a request to call a meeting of Unitholders made by such Unitholders, Stacey 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. A Unitholder shall be entitled to attend any meeting of Unitholders whether in person or by a proxy in such form as Stacey may prescribe from time to time.

At any such meeting, two Unitholders, represented in person or by proxy, holding not less than 10% of the outstanding Units shall constitute a quorum, but if there is not a quorum present at the meeting when called then, no quorum requirement shall apply at any adjournment hereto if notice of the adjourned meeting is given.

Any consent or approval of Unitholders under the Declaration of Trust must be given by either the affirmative vote or by proxy by mail of the holders of not less than 50% of the outstanding Units represented and voted at a meeting of Unitholders called for such purpose on not less than twenty-one (21) days' notice.

Any business or matter which may be approved at a meeting of Unitholders may, in lieu thereof, be approved by the votes cast by written ballot pursuant to a poll of the Unitholders taken by mail. Notice of any such business or matter to be polled shall be given to all Unitholders and such notice shall describe the business or matter to be voted upon in sufficient detail to enable the Unitholders to make a reasoned judgment with respect thereto. Approval of any such business or matter shall require approval by Unitholders holding in the aggregate more than 50% of the Units outstanding. The vote shall be calculated by the ballots received by Stacey within the time limit established by the notice for such

receipt, which time limit shall be in no case less than twenty-one (21) days from the date such notice is given to the Unitholders.

### **Amendment of the Declaration of Trust**

The Declaration of Trust may be amended, deleted, expanded or varied by Stacey: (i) if the amendment, in the opinion of counsel, does not constitute a material change and does not relate to any of the matters set out below; (ii) upon written notice to Unitholders and any such amendment shall take effect on a date to be specified therein, which date shall not be less than sixty (60) days after notice of the amendment is given to Unitholders; and (iii) if the amendment does not adversely affect the pecuniary value of the interest of any Unitholder.

Any provision of this Declaration of Trust may be amended, deleted, expanded or varied with the consent of the Unitholders, for any of the following purposes:

- (a) to amend the provisions in the Declaration of Trust that pertain to amending the Declaration of Trust;
- (b) the basis of the calculation of a fee or expense that is charged to the Fund is changed in a way that could result in an increase in charges to the Fund;
- (c) the trustee of the Fund is changed, unless the new trustee is an affiliate of the current trustee;
- (d) the fundamental investment objectives of the Fund are changed;
- (e) the auditor of the Fund is changed;
- (f) the Fund decreases the frequency of the calculations of its Net Asset Value;
- (g) the Fund undertakes a reorganization with, or transfers its assets to, another fund, if
  - (i) the Fund ceases to continue after the reorganization or transfer of assets, and
  - (ii) the transaction results in the Unitholders of the Fund becoming unitholders in the other fund; or
- (h) the Fund undertakes reorganization with, or acquires assets from, another fund, if
  - (i) the Fund continues after the reorganization or acquisition of assets,
  - (ii) the transaction results in the unitholders of the other fund becoming Unitholders in the Fund, and
  - (iii) the transaction would be a significant change to the Fund.

### **Term and Termination of the Fund**

The Fund has no fixed term.

Stacey, without the approval of the Unitholders, may at any time terminate and dissolve the Fund by giving to each Unitholder written notice of its intention to terminate at least sixty (60) days before the date on which the Fund is to be terminated (the “**Fund Termination Date**”).

During the period after the giving of such termination notice the right of Unitholders to require payment for all or any of their Units shall be suspended and Stacey shall make appropriate arrangement for converting the Fund Property into cash. After payment of the liabilities of the Fund, each Unitholder registered as such at the Close of Business on the date fixed as the Fund Termination Date shall be

entitled to receive from Stacey the Unitholder's proportionate share of the value of the Fund in accordance with the number of Units which the Unitholder then holds.

### **Liability and Indemnification of the Trustee**

The Declaration of Trust provides that Stacey or any other person retained by Stacey to discharge any of Stacey's responsibilities shall not be liable to the Fund or to any Unitholder for any loss, damage, cost, charge, judgment or expense (including reasonable legal costs) resulting from any act or omission in connection with its duties and obligations under the Declaration of Trust except to the extent such loss, damage, cost, charge, judgment or expense is caused by its negligence, lack of good faith or its failure to comply with its standard of care.

Pursuant to the Declaration of Trust, Stacey and its affiliates, subsidiaries and agents, and their directors, officers and employees and any other person retained by Stacey to discharge any of Stacey's responsibilities (the "**Trustee Parties**") shall be indemnified by the Fund from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by it in connection with its services provided under the Declaration of Trust. The Trustee Parties shall be indemnified provided that the Fund has reasonable grounds to believe that the action or inaction that caused the payment of the fees, judgments and amounts paid in settlement was in the best interest of the Fund and provided that the liability was not as a result of negligence, misfeasance or misconduct, misrepresentation in an offering memorandum, or breach of the standard of care or obligations under the Declaration of Trust of the Trustee Party.

### **Indemnification of the Fund**

The Fund shall be indemnified and saved harmless by Stacey against any costs, charges, claims, expenses, actions, suits or proceedings in respect of which a claim is made as a result of a misrepresentation contained in the Offering Memorandum distributed in connection with the issue of Units of the Fund and officers or partners of Stacey or both have granted a contractual right of action forming part of the Offering Memorandum.

### **Resignation of the Trustee**

Stacey or any successor trustee may resign as Trustee of the Fund by giving written notice to the Unitholders ninety (90) days prior to the date when such resignation shall take effect, provided, however, that any such resignation shall take effect only on the appointment of a successor trustee. Stacey may nominate a successor trustee but if, after the resignation of Stacey, no successor has been appointed within forty-five (45) days, any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The right, title and interest of Stacey in and to the Fund Property shall vest automatically in any person who may hereafter become trustee upon its due appointment by Stacey, without any further act and it shall thereupon have all the rights, privileges, powers, obligations and immunities of Stacey under the Declaration of Trust.

## **FEES AND EXPENSES**

### **Management Fee**

As compensation for management services, a management fee will be payable monthly to Stacey by the Fund, at a maximum annual rate of 1% of the aggregate Net Asset Value of the Fund. The fee is calculated monthly as at each Valuation Date and payable monthly in arrears. The management fee is subject to applicable taxes, including HST or GST, as applicable.

## **Performance Incentive Fee**

The performance incentive fee is payable to Stacey for each fiscal year of the Fund, if the Net Asset Value per Unit (before taking into account any performance incentive fee payable for that particular year on the last Valuation Date of the fiscal year) is greater than the Performance Fee Threshold. Conceptually, the purpose of the Performance Fee Threshold is to provide a cumulative high water mark to which a performance incentive fee is assessed. This ensures that a performance incentive fee is only payable to Stacey on succeeding increases in Net Asset Value per Unit, with no reset to the Performance Fee Threshold. In addition, the Performance Fee Threshold increases by the Average Risk Free Rate of Return in each year, regardless of whether a performance incentive fee is payable or not.

The performance incentive fee is payable on the last Valuation Date of a fiscal year and is determined on an annualized basis for Units held for partial fiscal years. The amount of the performance incentive fee, if any, is calculated as follows: the Pre-Performance Incentive Fee Net Asset Value per Unit less the Performance Fee Threshold multiplied by the number of Units issued and outstanding as at the Valuation Date multiplied by 20%. This performance incentive fee is subject to all applicable taxes, including HST and/or GST, as applicable, which will be added to the performance incentive fee to arrive at the total fee payable to Stacey as at the last Valuation Date. If the result of this calculation is zero, or less than zero, no performance incentive fee is payable for the respective year.

For purposes of calculating the Net Asset Value per Unit on a particular Valuation Date, which is not the last Valuation Date of the fiscal year, Stacey will include in the determination of liabilities, an amount for a performance incentive fee, determined on the same basis as the above, however, the Average Risk Free Rate of Return will be adjusted to the number of months that have passed in the fiscal year (ie for greater clarity, if May 31<sup>st</sup> is the Valuation Date, the Average Risk Free Rate of Return is the sum of the Monthly Risk Free Rate of Return for January through May, inclusive, divided by five).

“**Average Risk Free Rate of Return**” means the sum of each of the Monthly Risk Free Rate of Return for each month of the fiscal year divided by the number of months of the same fiscal year.

“**Monthly Risk Free Rate of Return**” means the month-end Bank of Canada Rate less 25 basis points.

“**Pre-Performance Incentive Fee Net Asset Value per Unit of the Fund**” means the Net Asset Value per Unit on the last Valuation Date of the fiscal year, but excluding any performance incentive fee for that particular year, and dividing it by the number of Units issued and outstanding at that time.

“**Performance Fee Threshold**” means

- a. at the end of the first fiscal year, the Initial Subscription Price per Unit plus the Average Risk Free Rate of Return for the first fiscal year; and
- b. for any subsequent year, the Net Asset Value per Unit as at the end of the last fiscal year in which a Performance Incentive Fee was payable plus the Average Risk Free Rate of Return for each year from that date.

## **Expenses**

Except as otherwise provided in the Declaration of Trust, all expenses of the Fund shall be paid from the Fund, including but not limited to: (a) brokerage fees and other fees and disbursements directly relating to the implementation of transactions for the portfolio of the Fund; (b) any taxes (and any interest and penalties with respect thereto) payable by the Fund or to which the Fund may be subject; (c) interest expenses, if any; (d) custody and safekeeping charges relating to the Fund’s activities; (e) audit, accounting, tax related services and any expenses and legal fees of the Fund; and (f) expenses of

conducting Unitholder meetings; (g) expenses incurred upon termination of the Fund. Stacey is entitled to reimbursement of expenses that are reasonably incurred and impact the daily operations of the Fund.

Stacey may, in its sole discretion, decide to pay for, or otherwise absorb, some or all of the operating expenses of the Fund from time to time.

### **DEALER COMPENSATION**

Stacey acts as the exempt market dealer of the Fund, and offers the Units on a private placement basis. There is no commission payable to Stacey in its capacity as an exempt market dealer in respect of Units purchased directly by a subscriber.

### **DISTRIBUTIONS**

The Fund shall be required to distribute to the Unitholders such portion of its net income and net realized capital gains (determined in accordance with the Declaration of Trust) or such portion of the capital of the Fund as Stacey may determine as will result in the Fund paying no tax under Part I of the Tax Act in any taxation year (the “**Distribution Amount**”).

The Distribution Amount shall be payable on each Distribution Date to the Unitholders. The distributions shall be paid *pro rata* based on the number of Units held by a Unitholder at the Close of Business of the record keeper of the Fund on the Distribution Date as of which such amounts are to be determined.

The Distribution Amount will be automatically reinvested in additional Units at the Net Asset Value per Unit calculated on the Distribution Date on which such amount was first payable to the Unitholder. Immediately following the reinvestment of distributions, the number of Units outstanding will be automatically consolidated so that the Net Asset Value per Unit after the reinvestment is the same as it was immediately before the amount was considered to have been declared as due and payable by the Fund.

When a Unitholder redeems all or any of his, her or its Units, a portion of the redemption proceeds paid to the Unitholder may, in Stacey’s discretion, be paid as a distribution of net realized capital gains and/or net income of the Fund, and the remainder as proceeds of redemption. The distribution of net capital gains and/or net income on the redemption of Units is intended to provide an equitable distribution of the Fund’s net capital gains and net income among Unitholders.

### **ELIGIBILITY FOR INVESTMENTS**

Units of the Fund will be qualified investments for trusts governed by Tax Deferred Plans provided that the Fund qualifies as a “mutual fund trust” or is a registered investment under the Tax Act.

Annuitants of registered retirement savings plans and registered retirement income funds should consult with their own tax advisers as to whether Units would be a “prohibited investment” under the Tax Act in their particular circumstances. Provided that the annuitant of the registered retirement savings plan or registered retirement income fund does not hold a “significant interest” (as defined in the Tax Act) in the Fund and that such annuitant or holder deals at arm’s length with the Fund or provided that Units of the Fund are “excluded property” (as defined in the Tax Act) the Units will not be prohibited investments for a trust governed by such registered retirement savings plan, or registered investment income fund. As of the date of this Offering Memorandum, the Fund is a “registered investment” under the Tax Act.

## CANADIAN INCOME TAX CONSIDERATIONS

A prospective Unitholder should carefully consider all of the potential tax consequences of an investment in the Units and should consult with their tax advisor before subscribing for the Units. **Investors are urged to consult with their tax advisors to determine the tax consequences of an investment in the Fund.**

### RISK FACTORS

There are many risks associated with an investment in the Fund. Before investing, prospective investors should carefully consider the following risks. **The following risk factors do not purport to be a complete explanation of all risks involved in purchasing the Units. Potential investors should read this entire Offering Memorandum and consult with their legal and other professional advisors before determining whether to invest in the Units.**

#### What are the risks of investing in an investment fund?

There is no such thing as risk-free investing. For investors, risk is the possibility of losing money or not making any money. The same is true with investment funds. The value of an investment fund may change every day, reflecting changes in interest rates, economic conditions, and market and company news. Therefore, when an investor redeems his, her or its units in an investment fund, the investor may receive less than the full amount originally invested. The full amount of the investor's investment in an investment fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, investment fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

One risk of an investment fund is that, in exceptional circumstances, requests to redeem units of the fund, may not be accepted or the delivery of redemption proceeds may be delayed.

The value of an investment fund is directly related to the value of the investments held by the investment fund. The value of the investments in the investment fund can change due to, among other things, general market conditions, changes in interest rates and political and economic developments. The value of the investment fund may change substantially over time.

The total effect of the different types of risk is measured by volatility. Volatility measures how variable the value of an investment fund is relative to an expected return.

It is very important that an investor be aware of the risks associated with investing in an investment fund, its relative return over time and its volatility. The principal risks that may be associated with investing in the Fund are described below.

#### Specific Risks in respect of the Fund

Other than as disclosed in the Offering Memorandum, the Fund is not subject to the disclosure requirements or investment restrictions applicable to publicly offered investment funds which includes limits on the ability of such investment fund to use derivatives, concentrate investments, engage in securities lending, and repurchase or reverse repurchase transactions.

Although all securities investments involve the potential loss of capital, the Fund may employ investment strategies and techniques whose risks may increase during periods of unusual speculative activity or market volatility. Investors should consider the following risk factors before investing. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund.

## **General Risks associated with an Investment in the Fund**

### *Speculative Investment*

On its own, an investment in the Fund may be deemed speculative and is not intended as a complete investment program. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. Investors should closely review the investment objective and investment strategies to be utilized by the Fund as outlined herein to familiarize themselves with the risks associated with an investment in the Fund. Each prospective investor is responsible for determining if an investment in the Fund of the size contemplated is appropriate for that prospective investor.

There is no assurance that the Fund will be able to achieve its investment objective.

### *No Guaranteed return*

The Net Asset Value of Units will vary directly with the market value and return of the investment portfolio of the Fund. There can be no assurance that the Fund will not incur losses. There is no guarantee that the Fund will earn a return in the short or long term.

### *Portfolio Management*

There is a risk that the strategies used by Stacey in managing the portfolio of the Fund may fail to produce the intended results. As the performance of the Fund will be dependent on Stacey, which provides investment advisory and portfolio management services to the Fund, if Stacey ceases to be the portfolio manager of the Fund, the performance of the Fund may be adversely affected. Stacey will depend, to a great extent, on the services of a limited number of individuals in the administration of the Fund's activities. The loss of such individuals for any reason could impair the ability of Stacey to perform its management activities on behalf of the Fund.

### *Concentration*

Stacey may take concentrated positions within each strategy or concentrate investment holdings in specialized industries, market sectors or in a limited number of issuers.

Overweighting investments in certain sectors, markets, industries or issuers involves risk that the Fund will suffer a loss because of increase or decrease in the prices of securities in those sectors, markets, industries or issuers.

### *Fluctuations in Net Asset Value*

Fluctuations in the Net Asset Value per Unit may occur for a number of reasons beyond the control of the Fund or Stacey. The Net Asset Value of the Fund varies according to, among other things, the value of the investments held in the portfolio of the Fund. Stacey and the Fund have no control over the factors that affect the value of such investments, including market, economic, political, regulatory and other conditions.

### *Possible Effect of Redemptions*

Redemption may be suspended under certain circumstances. Please see “*Redemptions – Suspension of Redemptions*” for more information. Substantial redemptions of Units from the Fund could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund

redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining.

#### *Nature of Units*

The Units are neither fixed income nor equity securities. An investment in Units does not constitute an investment by Unitholders in the securities included in the portfolio of the Fund. Unitholders will not own the securities held by the Fund by virtue of owning Units of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

#### *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 investments in the portfolio securities and the Fund and its Unitholders. The regulatory environment for hedge funds and alternative investments is evolving and changes to it may adversely affect the Fund. To the extent that regulators adopt practices of regulatory oversight in the area of hedge funds that create additional compliance, transaction, disclosure or other costs for hedge funds, returns of the Fund may be negatively affected. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts and governmental authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders.

#### *Legal, Tax and Regulatory Risks*

Legal, tax and regulatory changes to laws or administrative practice could adversely affect the Fund. Interpretation of law or administrative practice may affect the characterization of the Fund’s earnings as capital gains or income, which may increase the level of tax borne by the investor as a result of increased taxable distributions from the Fund.

Pursuant to the recent *Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention* entered into between Canada and the U.S. (the “IGA”), and related Canadian legislation, the Fund and the Manager are required to report certain information with respect to Unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other “U.S. Persons” as defined under the IGA (excluding registered plans), to the CRA. The CRA will then exchange the information with the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Income Tax Treaty. If the Fund is unable to comply with any of its obligations under the IGA, the imposition of a 30% U.S. withholding tax on certain specified payments (i.e. “withholdable payments” as defined under FATCA) made to the Fund, as well as penalties under the Tax Act, may affect the net asset value of the Fund and may result in reduced investment returns to Unitholders. The administrative costs of compliance with FATCA may also cause an increase in the operating expenses of the Fund further reducing returns to Unitholders. Unitholders should consult their own tax advisers regarding the possible implications of this legislation on them and their investments.

The CRA can assess the Fund for a failure of the Fund to withhold tax on distributions made by it to non-resident Unitholders that are subject to withholding tax, and typically would do so rather than assessing the non-resident Unitholders directly. Accordingly, any such re-determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. As the Fund may not be able to recover such withholding taxes from the non-resident Unitholders whose units were

redeemed, payment of any such amounts by the Fund would reduce the Net Asset Value of the Units of the Fund.

If the Fund experiences a “trust loss restriction event” (i) the Fund will be deemed to have a year-end for tax purposes, and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund. Proposed amendments to the Tax Act were announced on October 20, 2014 that may exempt the Fund from the application of these trust loss restriction rules if the Fund satisfies certain investment diversification criteria.

#### *Early Termination*

In the event of 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 Stacey 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 assets held by the Fund would have to be sold by the Fund or may be 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 assets, resulting in a loss to the Unitholders.

#### *Conflicts of Interest*

Stacey and its respective directors and officers and their affiliates and associates may engage in the promotion, management or investment management of one or more funds or trusts which invest in securities to be held in the portfolio of the Fund.

Although none of the directors or officers of Stacey will devote his or her full time to the business and affairs of the Fund or Stacey, each devotes as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) Stacey and the Fund, as applicable. In addition, although officers, directors and professional staff of Stacey devote as much time to the Fund as Stacey deems appropriate to perform its duties, such persons may have conflicts in allocating its time and services among the portfolio of the Fund and the other portfolios of Stacey, as applicable.

In addition, Stacey and/or its affiliates, in connection with their business activities, may acquire material non-public confidential information that may restrict it from purchasing assets or selling assets for itself or its clients (including the Fund) or otherwise using such information for the benefit of its clients or itself.

#### *Fees and Expenses*

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

### *Limited Ability to Liquidate Investment*

There is no formal market for Units and one is not expected to develop. This offering of Units is not qualified by way of prospectus, and consequently the resale of Units is subject to restrictions under applicable securities legislation. In addition, Units may not be assigned, encumbered, pledged, hypothecated or otherwise transferred except with the prior written consent of Stacey, which may be withheld in Stacey's sole and absolute discretion. Accordingly, it is possible that Unitholders may not be able to resell their Units other than by way of redemption of their Units at any Valuation Date which redemption will be subject to the limitations described under "*Redemptions*". There are circumstances where the Fund may suspend redemptions. Unitholders may not be able to liquidate their investments in a timely manner. As a result, an investment in the Units is suitable only for sophisticated investors who do not require liquidity for their investment and are able to bear the financial risk of the investment for an extended period of time.

### *Valuation of the Fund's Investments*

Valuation of the securities held in the Fund's portfolio and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund and the Net Asset Value per Unit could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's investments in various portfolio securities.

The Fund may from time to time have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Fund to any such investment differs from the actual value, the Net Asset Value per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units while the Fund holds such investments will be paid an amount less than such Unitholder would otherwise be paid if the actual value of such investments is higher than the value designated by the Fund. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual value of such investments is lower than the value designated by Stacey in respect of a redemption. In addition, there is risk that an investment in the Fund by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the actual value of such investments is higher than the value designated by Stacey. The Fund does not intend to adjust the Net Asset Value of the Fund retroactively.

### *Changes in Investment Strategy*

Stacey may alter the Fund's investment strategies and restrictions without prior approval by Unitholders to adapt to changing circumstances, subject to advising Unitholders of any material changes in writing.

### *Unitholders not entitled to Participate in Management*

Unitholders are not entitled to participate in the management or control of the Fund or its operations. Unitholders do not have any input into the Fund's trading. The success or failure of the Fund will ultimately depend on the indirect investment of the assets of the Fund by Stacey, with which Unitholders will not have any direct dealings.

### *Tax Liability*

The Fund is not required to distribute its income in cash. If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year, such income may be distributed to Unitholders in accordance with the provisions of the Declaration of Trust in cash or reinvested in additional Units.

Unitholders will be required to include all such distributions in computing their income for tax purposes, even if that cash may not have been distributed to such Unitholders. Cash distributions to a particular Unitholder may not correspond to the economic gains and losses which such Unitholder may experience.

#### *Potential Indemnification Obligations*

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of Stacey and other service providers. The Fund will not carry any insurance to cover such potential obligations and, to Stacey's knowledge, none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. Any indemnification paid by the Fund would reduce the Net Asset Value of the Fund and, by extension, the value of the Units.

#### *Mutual Fund Trust Status and Registered Investment Status*

If the Fund qualifies as a "mutual fund trust" under the Tax Act, there is a risk that the suspension of redemption of Units may result in the loss of such status and Units will then not be qualified investments for the Tax Deferred Plans. As well, the Fund may be subject to alternative minimum tax and Part XII.2 tax under the Tax Act.

As of the date of this Offering Memorandum, the Fund is a "registered investment" under the Tax Act and its units are qualified investments for Tax Deferred Plans. If the Fund ceases to meet the conditions of its registration as a "registered investment", which include restrictions on the types of investments that the Fund may hold, then the CRA may revoke the Fund's registration as a registered investment and the Units would no longer be a qualified investment for Tax Deferred Plans. Further, the Fund may be subject to a penalty tax.

#### *Liability of Unitholders*

The Declaration of Trust provides that no Unitholder shall be held to have any personal liability as such and no resort shall be had to the Unitholder's private property for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund, Stacey or any obligation which a Unitholder would otherwise have to indemnify Stacey for any personal liability incurred by Stacey as such, but rather, only the Fund Property is intended to be liable and subject to levy or execution for such satisfaction.

There is a risk, which is considered by Stacey to be remote in the circumstances, that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the operations of the Fund will be conducted in such manner so as to minimize 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.

#### *Significant Investor*

It is expected that, at any time, investors in the Fund may include individual investors with significant holdings in the outstanding Units. The presence of a large investor helps to mitigate the burden of the fixed costs of the Fund by effectively spreading the impact of such costs over a larger Net Asset Value than would otherwise be the case. By the same token, any large redemptions by such an investor will raise the impact of such fixed costs on remaining investors. Large orders to purchase or sell Units in the Fund by such significant investors may, individually or on a combined basis, also result in parallel investment/disinvestment transactions by the Fund in one or more of its underlying assets. This could in turn possibly impact the value of such investments thereby affecting the Net Asset Value of the Fund.

### *Status of the Fund*

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under provisions of that statute or any other legislation.

The Fund is not subject to the restrictions placed on public mutual funds to ensure diversification and liquidity of the Fund's portfolio.

### *Lack of Independent Experts Representing Unitholders*

Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Fund.

### *No Involvement of Unaffiliated Selling Agent*

No outside selling agent unaffiliated with Stacey has made any review or investigation of the terms of this offering, the structure of the Fund, or the background of Stacey.

### *Market Disruptions*

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers in the portfolio of the Fund. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that may be held from time to time by the Fund.

### *Custodian*

The custodian, its directors, officers, and employees shall be indemnified and saved harmless by the Fund against all taxes, duties, charges, costs, expenses, damages, claims, actions, demands, and any other liability whatsoever to which he/she/it may become subject, including legal fees and expenses, in respect of anything done or omitted to be done in connection with the custodian agreement unless it was a breach by him/her/it of the custodian's standard of care. The custodian is also not liable for any loss or diminution of Fund Property in the course of providing custodial services unless there is a breach of its standard of care.

Although the custodian of the Fund is in Canada and some of the assets of the Fund may be held in Canada, some of the Fund's assets may be held in accounts with sub-custodians (who may be affiliated with or otherwise related to the custodian) in other jurisdictions and, accordingly, there may be additional defences available to any judgment obtained by the Fund in Canada which may affect enforcement in any such jurisdictions. Further, these sub-custodians may be in markets that are identified as being high risk when compared to sub-custodians in more established markets. Accordingly, the custodian may not be able to accept some of the liabilities for the acts of these sub-custodians.

## **Risks associated with the Fund's Underlying Investments**

### *Use of Derivatives*

The portfolio of the Fund may include derivatives instruments although the Fund does not intend to make significant use of them. These instruments may include options and/or forward contracts. The use of derivative instruments 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, including 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. Hedging with derivatives may not always be successful and could limit the Fund's ability to have access to increases in the value of the portfolio of the Fund.

The Fund may not be able to obtain or close out a derivative contract when Stacey views it as desirable to do so, which may prevent the Fund from making a profit or limiting a loss. When the Fund invests in a derivative instrument, it could lose more than the principal amount invested. Amounts paid by the Fund as premiums and cash or other assets held in margin accounts are not otherwise available to the Fund for investment purposes.

To the extent that that Fund enters into derivatives, the Fund will be exposed to the credit risk of the counterparties of those derivatives. There is a limited choice of first tier counterparties which may lead to a concentration of exposure with counterparties.

Because of Stacey's stated policy that the Fund will not invest in derivative instruments on a leveraged basis, the risks normally attributable to the use of derivative instruments would not apply to the same extent as they would in mutual funds not employing such limitations.

#### *Options Trading*

The Fund may purchase and sell calls and puts for investment purposes.

As a purchaser of options, the Fund may lose its investment in the option, which is the premium paid upon purchase, if such option is not sold or exercised when it has remaining value or if it is not profitable to exercise the option upon its expiration.

As a seller of options, the Fund is subject to the full risk of its investment position in the securities comprising the portfolio of the Fund. The Fund may be exposed to: (a) in the case of a covered call option, the risk of a decline in the market price of the underlying security to a level below the purchase price of the security (to the extent such decline exceeds the premium); (b) in the case of a covered put option, the risk of an increase in the market price of the underlying security to a level above the sales price in establishing the underlying short position (to the extent such increase exceeds the premium); and (c) in the case of "naked" short option positions, theoretically unlimited risk.

As a seller of options, the Fund may also give up opportunities for gains on the underlying security.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to write options on desired terms or to close out option positions should it desire to do so. The ability of the Fund to close out its positions may also be affected by exchange-imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Fund is unable to repurchase a call option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

#### *Forward Trading*

The Fund may trade forward contracts which, unlike future contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements. The principals that deal in the forward markets are not required to continue to make markets in the contracts they trade and these markets can experience periods of illiquidity, sometimes of significant duration.

There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any forward market in which the Fund trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which Stacey would otherwise recommend, to the possible detriment of the Fund.

#### *Hedging Risk*

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

#### *Fixed Income Securities*

The Fund may invest in bonds or other fixed income securities. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments and obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If fixed income investments are not held to maturity, the Fund may suffer a loss at the time of sale of such securities.

#### *Interest Rate Fluctuations*

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. Large changes in interest rates may have a negative effect on the market price of the Units. Holders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

#### *Depositary Receipts*

The Fund may purchase Depositary Receipts. Generally, Depositary Receipts in registered form are designed for use in the U.S. securities market and Depositary Receipts in bearer form are designed for use in securities markets outside the U.S. The Fund may invest in sponsored and unsponsored ADRs.

Depositary Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted and may be issued pursuant to sponsored or unsponsored programs. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depositary Receipts.

#### *Securities Lending*

The Fund may engage in securities lending. Although the Fund will receive collateral for such loans and such collateral will be marked to market, the Fund will be exposed to the risk of loss should the borrower

default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

#### *Small and Medium Capitalization Companies*

The Fund may invest in the securities of companies with small-to medium-sized capitalizations. While the securities of such companies often provide significant potential for appreciation, smaller-capitalization securities involve higher risks in some respects than do investments in the securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than that for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization securities, an investment in such securities may be relatively illiquid.

#### *Illiquid Securities*

There is no assurance that an adequate market will exist for the securities included in the portfolio of the Fund and it cannot be predicted whether the investments included in the portfolio will trade at a discount to, a premium to, or at their respective par or maturity values. If the market for a specific investment is particularly illiquid, the Fund may be unable to acquire or dispose of such investments or may be unable to acquire or dispose of such investments at an acceptable price.

#### *Foreign Currency Exposure*

The portfolio of the Fund may hold investments denominated in currencies other than the Canadian dollar for both hedging and investment purposes. Accordingly, exchange rate fluctuations may cause the value of the portfolio of the Fund to diminish or increase. Transactions to hedge against changes to the exchange rates between Canadian and foreign currencies, if any, may not be effective or profitable. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Stacey’s assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Although Stacey may adopt a hedging strategy in respect of some or all of these currencies, it is possible that some or all of such exposure will remain unhedged. In addition, Stacey may take long/short speculative positions on currencies based on Stacey’s view of macro-economic and other factors.

#### *Performance Incentive Fee*

Performance based payments to Stacey, such as the performance incentive fee, may create an incentive for Stacey to engage in investment strategies and make investments that are more speculative than would be the case in the absence of such payments.

#### *Emerging Markets*

The portfolio of the Fund may include securities of issuers that are domiciled in countries that are located in emerging markets.

Because of the special risks associated with investing in emerging markets, investments in such securities should be considered speculative and investors are advised to consider carefully the special risks of investing in emerging market securities. Economies in emerging markets generally are heavily dependent

upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade.

The risk also exists that an emergency situation may arise in one or more emerging markets as a result of which trading of securities may cease or may be substantially curtailed and prices for the securities in the portfolio of the Fund in such markets may not be readily available.

Investors should note that changes in the political climate in emerging markets may result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of Unitholders so affected.

Emerging markets can be significantly more volatile than developed markets, so that the price of securities of issuers that are domiciled in countries that are located in emerging markets may be subject to large fluctuations.

#### *Foreign Market Exposure*

Investments made by the Fund may, at any time, include securities of issuers established in jurisdictions outside Canada and the U.S. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. 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. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. 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 have an adverse impact on the value of such securities.

#### *Global Financial Developments*

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis and matters related to the U.S. government debt limits may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the portfolio securities. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

### *Counterparty Risk*

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

### *Market Disruptions*

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers in the portfolio of the Fund. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that may be held from time to time by the Fund.

## **CONFLICTS OF INTEREST**

Securities regulation in certain jurisdictions in Canada requires that potential conflicts of interest be fully disclosed in the Offering Memorandum. Such potential conflicts are generally perceived to arise whenever a registrant such as Stacey participates in the distribution of securities of a related or connected issuer.

Stacey and its respective principals and affiliates do not devote their time exclusively to the investment management or portfolio management of the Fund. In addition, such persons may perform similar or different services for others and may sponsor or establish other investment funds during the same period during which they act on behalf of the Fund. Such persons therefore may have conflicts of interest in allocating management time, services and functions to the Fund and the other persons for which they provide similar services. Accordingly, certain opportunities to purchase or sell securities or engage in other permissible transactions may be allocated among a number of Stacey's clients. Stacey, however, will allocate available transactions among the Fund and other clients in a manner believed by Stacey to be fair and equitable.

Stacey and its officers and employees will use all reasonable efforts to avoid engaging in activities that would lead to conflicts of interest. Stacey has in place systems to monitor the personal trading and other business activities of its officers and employees.

### **Affiliated Entities and Related and Connected Issuers**

Stacey may engage in activities as an investment fund manager, portfolio manager and exempt market dealer in respect of securities of related or connected issuers but will do so only in compliance with applicable securities legislation.

The securities laws of certain jurisdictions in Canada 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. Investors should refer to the applicable provisions of securities laws for the details of such provisions and their rights or consult with a legal adviser.

Stacey is registered as an investment fund manager, portfolio manager and exempt market dealer with the Ontario Securities Commission, and as a portfolio manager and exempt market dealer with the Alberta

Securities Commission. Stacey will, in the future also be registered in the appropriate categories of registration if and when Units are offered in jurisdictions other than Ontario and Alberta. As a result, potential conflicts of interest could arise in connection with Stacey acting in such capacities. As an exempt market dealer, Stacey may sell securities of the Fund and related and/or connected limited partnerships and other pooled funds organized by Stacey in accordance with applicable laws, and will not be remunerated by such partnerships or other pooled funds for acting in that capacity.

Stacey is the trustee, investment fund manager, portfolio manager and exempt market dealer of the Fund and is responsible for providing or arranging for the provision of management and investment advisory and portfolio management services required by the Fund. Stacey receives a management fee and performance incentive fee for its services. No fees are payable to Stacey in its capacity as an exempt market dealer for the Fund. Stacey also acts as the fund administrator for the Fund but does not receive a fee for providing these services to the Fund. **The Fund may be considered a related and/or connected issuer of Stacey under applicable securities legislation due to the various relationships between the Fund and Stacey.**

The definitions of the terms “related issuer” and “connected issuer” can be found in NI 33-105.

### **Allocation of Investment Opportunities**

In allocating investment opportunities among clients, including the Fund, Stacey will seek to ensure that all clients are dealt with in a fair manner. All security transactions, including new issues, are allocated to the client accounts for which trade orders were initiated. In situations where purchases or sales of securities, including new issues, are for multiple client accounts (block trades), partial fills will be allocated on a *pro rata* basis, considering such factors as cash position, asset mix and policy guidelines. However, if such *prorating* should result in an inappropriately small portion for the client account, the allotment will normally be reallocated to another client account or in the case of new issues, may be returned to the broker.

Stacey will only use the weighted average price paid on a block trade when allocating to its client accounts, including the Fund. Broker commissions are allocated evenly on a *pro rata* basis across all applicable client accounts, including the Fund.

### **Fair Dealing with Clients**

Stacey shall deal fairly and objectively with all clients, including the Fund, and prospective clients when disseminating material information of concern to such clients or when taking investment actions. Transactions for client accounts shall in all cases have priority over transactions where Stacey or an officer or employee of Stacey is a beneficial holder.

### **Personal Trading**

Stacey has adopted a policy to limit, monitor and, in certain instances, restrict personal trading by the officers and employees of Stacey in order to ensure that there is no conflict between such personal trading and the interests of the investment funds managed by Stacey and Stacey’s other clients.

### **Referral Arrangements**

Stacey may enter into referral arrangements whereby it pays a fee for the referral of a client to Stacey or the Fund. No such payments will be made unless the referred investors are advised of the arrangement and all applicable securities legislation is complied with.

## **Brokerage Arrangements**

All decisions as to the purchase and sale of securities in the Fund's portfolio and all decisions as to the execution of these portfolio transactions, including the selection of market and dealer and the negotiation of commissions, where applicable, will be made by Stacey. In effecting portfolio transactions, Stacey will seek to obtain best execution of orders as required by applicable securities legislation.

Stacey is responsible for placing orders to effect portfolio transactions on behalf of the Fund. These orders are allocated by Stacey or Stacey to the brokers who can offer the volumes and the prices deemed most advantageous. Where no particular advantage with respect to price or execution is available, orders may be placed through brokers who, in the opinion of Stacey, provide or assist in the provision of decision-making services. Investment decision-making services include the provision of advice, valuations, research and related data-bases or software.

To the extent that the terms offered by more than one dealer are considered by Stacey to be comparable, Stacey may, in its discretion, choose to purchase and sell securities in the Fund's portfolio from and to or through Dealers who provide research, statistical and other services to Stacey in respect of their management of the Fund. Stacey will only enter into such arrangements in accordance with industry standards when it is of the view that such arrangements are for the benefit of its clients, however not all brokerage arrangements will benefit all clients at all times.

Stacey is provided with research, from time to time, from the dealers with whom it places trades for the Fund, as well as for its other clients. Stacey does not take into account the research it receives in determining dealers through whom it will place portfolio transactions for the Fund. Names of the dealer(s) that provided Stacey with such research services in connection with the portfolio transactions for the Fund during the last financial year of the Fund will be provided on request by contacting Stacey.

## **Related Registrants**

Securities legislation also requires securities dealers and advisers to inform their clients if the securities dealer or adviser has a principal shareholder, director or officer that is a principal shareholder, director or officer of another securities dealer or adviser and of the policies and procedures adopted by the securities dealer or adviser to minimize the potential for conflicts of interest that may result from this relationship.

As at the date of the Offering Memorandum, Stacey does not have any related registrants.

## **ANTI-TERRORISM AND ANTI-MONEY LAUNDERING LEGISLATION**

Stacey is required to comply with all applicable laws, regulations and administrative pronouncements concerning money laundering and other criminal activities ("**Anti-Money Laundering Laws**"). In furtherance of those efforts, a subscriber for Units will be required to provide certain information and documentation and make a number of representations to Stacey regarding the source of subscription monies and other matters. The account opening documents provided to the subscriber contain detailed guidance on whether identification verification materials will need to be provided and, if so, a list of the documents and information required.

A Unitholder will be required to promptly notify Stacey if, to the knowledge of the Unitholder, any of its representations with respect to Anti-Money Laundering Laws cease to be true and accurate. A Unitholder must agree to provide to Stacey, promptly upon receipt of Stacey's written request therefor, any additional information regarding the Unitholder or their authorized signatory(ies) and/or beneficial owner(s) that Stacey deems necessary or advisable to ensure compliance with all Anti-Money Laundering Laws. If at any time it is discovered that a Unitholder's representations with respect to Anti-Money

Laundering Laws are incorrect, or if otherwise required by Anti-Money Laundering Laws, Stacey may undertake appropriate actions to ensure that Stacey is in compliance with all such Anti-Money Laundering Laws. Stacey may release confidential information about a Unitholder and, if applicable, any underlying beneficial owner(s), to governmental authorities as required by Anti-Money Laundering Laws.

### **AUDITOR**

The auditor of the Fund is Ernst & Young LLP, London, Ontario.

### **FUND ADMINISTRATOR**

Stacey is the administrator of the Fund.

### **CUSTODIAN**

RBC Investor Services Trust, Toronto, Ontario has been appointed as the custodian of the Fund.

### **LEGAL MATTERS**

#### **Purchase and Resale Restrictions**

The Units are being offered on a private placement basis in reliance upon prospectus and exemptions under applicable securities legislation in the Offering Jurisdictions. Resale of the Units will be subject to restrictions under applicable securities legislation, which will vary depending upon the relevant jurisdiction. Generally, the Units may be resold only pursuant to an exemption from the prospectus requirements of applicable securities legislation, pursuant to an exemption order granted by appropriate securities regulatory authorities or after the expiry of a hold period following the date on which the Fund becomes a reporting issuer under applicable securities legislation. It is not anticipated that the Fund will become a reporting issuer. In addition, Unitholders reselling Units may have reporting and other obligations. Accordingly, Unitholders are advised to seek legal advice with respect to such restrictions. Resale of Units is also restricted under the terms of the Declaration of Trust. Transfers will generally only be permitted in exceptional circumstances. Accordingly, each prospective investor must be prepared to bear the economic risk of the investment for an indefinite period.

Each purchaser of Units will be required to deliver to the Fund a Subscription Agreement in which such purchaser will represent to the Fund that such purchaser is entitled under applicable provincial securities legislation to purchase such Units without the benefit of a prospectus qualified under such securities legislation.

#### **Cooling-off Period**

Securities legislation in certain jurisdictions may give a purchaser certain rights of rescission under certain circumstances, against the dealer who sold Units to them, but those rights must be exercised within a certain time period (may be as short as forty-eight (48) hours) following the purchase of Units.

#### **Rights of Action for Damages or Rescission**

Securities legislation in certain of the provinces and territories of Canada provides that a purchaser has or must be granted rights of rescission or damages, or both, where the Offering Memorandum and any amendment hereto contains a Misrepresentation. However, such rights and remedies, or notice with respect thereto, must be exercised by the purchaser within the time limits prescribed by the applicable securities legislation.

The summaries setting out the rights of action for damages or rescission in the Offering Jurisdictions, are set forth in Schedule A, which is incorporated in and forms part of this Offering Memorandum.

**Investors should consult with their legal advisers to determine whether and the extent to which they may have a right of action or rescission in their province or territory of residence. The rights discussed in Schedule A are in addition to and without derogation from any other rights or remedies available at law to a purchaser of Units.**

## SCHEDULE A

*Unless otherwise defined, all capitalized terms used herein shall have the same meaning assigned to them in this Offering Memorandum.*

As used herein, “**Misrepresentation**” has the meaning assigned under each Offering Jurisdiction’s respective securities legislation, but generally means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement in the Offering Memorandum or any amendment hereto not misleading in light of the circumstances in which it was made. A “**material fact**” means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the Units.

The following summaries are subject to the express provisions of the securities legislation in each of the Offering Jurisdictions, and the regulations, rules and policy statements under such legislation, and reference is made to such legislation, regulations, rules and policies for the complete text of such provisions. Investors should consult with their legal advisers to determine whether and the extent to which they may have a right of action or rescission in their province or territory of residence. The rights discussed below are in addition to and without derogation from any other rights or remedies available at law to a purchaser of Units.

### **Alberta, British Columbia, and Québec**

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

### **Manitoba**

Sections 141.1, 141.1.2, and 141.4 of *The Securities Act* (Manitoba) provide that if the Offering Memorandum delivered to a purchaser of Units resident in Manitoba contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied on such Misrepresentation and will have a right of action against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, and every person or company that signed the Offering Memorandum for damages or, alternatively, while still the owner of the purchased Units, for rescission against the Fund (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages), provided that among other limitations:

- (a) the Fund will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, the Fund will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Units as a result of the Misrepresentation;
- (c) other than with respect to the Fund, no person or company is liable if the person or company proves:
  - (i) that this Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent; and
  - (ii) that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the person's or company's knowledge and consent;
- (d) other than with respect to the Fund, no person or company is liable if the person or company proves that, after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;
- (e) if, 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;
- (f) other than with respect to the Fund, no person or company is liable with respect to any part of this 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;
- (g) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser; and
- (h) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:

- (i) in the case of an action for rescission, 180 days after the date of purchase of the Units; or
- (ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the Misrepresentation, and (B) two years after the date of purchase of the Units.

A person or company is not liable in an action for a Misrepresentation in forward-looking information if the person or company proves that:

- (a) this Offering Memorandum contains, proximate to that information,
  - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum.

### **New Brunswick**

Sections 150, 154.1, and 161 of the *Securities Act* (New Brunswick) provide that if the Offering Memorandum or amendment to the Offering Memorandum delivered to a purchaser of Units resident in New Brunswick contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied on such Misrepresentation and will have a right of action against the Fund or selling securityholder for damages or, alternatively, while still the owner of the purchased Units, for rescission, (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages) provided that:

- (a) no person will be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (b) in 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 Units as a result of the Misrepresentation relied upon;
- (c) in no case shall the amount recoverable exceed the price at which the Units were offered under the Offering Memorandum or amendment;
- (d) the Fund shall not be liable where it is not receiving any proceeds from the distribution of the Units being distributed and the Misrepresentation was not based on information provided by the Fund unless the Misrepresentation:

- (i) was based on information that was previously publicly disclosed by the Fund;
  - (ii) was a Misrepresentation at the time of its previous public disclosure; and
  - (iii) was not subsequently publicly corrected or superseded by the Fund before the completion of the distribution of the Units being distributed; and
- (e) no action may be commenced to enforce a right of action:
- (i) for rescission, more than 180 days after the date of the purchase; or
  - (ii) for damages, more than the earlier of (A) one year after the purchaser first had knowledge of the Misrepresentation, and (B) six years after the date of the purchase.

No person will be liable for a Misrepresentation in forward-looking information if the person proves that:

- (a) the Offering Memorandum contains, proximate to that information,
  - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;
  - (ii) and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

### **Newfoundland and Labrador**

Sections 130.1, 132, and 138 of the *Securities Act* (Newfoundland and Labrador) provide that if the Offering Memorandum delivered to a purchaser of Units resident in Newfoundland and Labrador contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied on such Misrepresentation and will have a right of action against the Partnership and every person performing a function or occupying a position with respect to the Partnership which is similar to that of a director of a company, for damages or, alternatively, while still the owner of the purchased Units, for rescission against the Partnership (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages), provided that among other limitations:

- (a) where the person or company proves that the purchaser had knowledge of the Misrepresentation;
- (b) in an action for damages, the defendant will not be liable for all or any part of the damages that the Partnership provides do not represent the depreciation in value of the Units as a result of the Misrepresentation;
- (c) other than with respect to the Partnership, if the person or company proves that the person or company, on becoming aware of the Misrepresentation in the Offering Memorandum,

withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the Partnership of the withdrawal and the reason for it;

- (d) other than with respect to the Partnership, if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that
  - (i) there had been a Misrepresentation, or
  - (ii) the relevant part of the Offering Memorandum
    - A. did not fairly represent the report, opinion or statement of the expert, or
    - B. was not a fair copy of, or an extract from, the report, opinion or statement of the expert; and
- (e) other than with respect to the Partnership, with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company
  - (iii) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
  - (iv) believed there had been a misrepresentation;
- (f) other than with respect to the Partnership, where the person or company proves that 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 notice to the Partnership that it was sent without the knowledge and consent of the person or company; and
- (g) the amount recoverable shall not exceed the price at which the securities were offered to the public;
- (h) no action may be commenced to enforce a right of action more than:
  - (v) in the case of an action for rescission, 180 days after the date of the purchase; or
  - (vi) in the case of an action for damages, the earlier of (A) 180 days after the purchaser first had knowledge of the Misrepresentation, or (B) three years after the date of the purchase.

A person or company is not liable in an action for a Misrepresentation in forward-looking information if the person or company proves that:

- (a) this Offering Memorandum contains, proximate to that information,

- (vii) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;
  - (viii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum.

### **Northwest Territories**

Sections 112 and 121 of the *Securities Act* (Northwest Territories) provide that if the Offering Memorandum delivered to a purchaser of Units resident in Northwest Territories 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 right of action for damages against the Fund, the selling security holder on whose behalf the distribution is made, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Fund or the selling securityholder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person will not be liable if the person proves that the purchaser purchased the Units with the knowledge of the Misrepresentation;
- (b) a person (other than the Fund or selling securityholder on whose behalf the distribution is made) will not be liable if:
  - (i) the Offering Memorandum was sent to the purchaser without the 's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of that person or company;
  - (ii) the person, on becoming aware of the Misrepresentation in the Offering Memorandum, withdrew the person's consent to the Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;
  - (iii) 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:
    - A. there had been a Misrepresentation; or

- B. the relevant part of the Offering Memorandum did not fairly represent the report, statement or opinion of the expert or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
- (iv) except the Fund and selling securityholder, for any part of an Offering Memorandum that is 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, statement or opinion 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 that there had been a Misrepresentation;
- (c) in an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the Misrepresentation;
- (d) the Fund and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling security holder, is not liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation
  - (i) was based on information previously publicly disclosed by the Fund;
  - (ii) was a Misrepresentation at the time of its previous public disclosure; and
  - (iii) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the Units being distributed;
- (e) the amount recoverable by the purchaser in an action for damages must not exceed the price at which the Units purchased by the purchaser were offered; and
- (f) no action may be commenced to enforce a right of action more than:
  - (i) in the case of an action for rescission, 180 days after the date of the purchase; or
  - (ii) in the case of an action for damages, the earlier of (A) 180 days after the purchaser first had knowledge of the Misrepresentation, or (B) three years after the date of the purchase.

In addition, no person will be liable with respect to a Misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to the forward-looking information,
  - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;

- (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum.

### **Nova Scotia**

Sections 138, 139A, and 146 of *Securities Act* (Nova Scotia) provide that if the Offering Memorandum or any amendment delivered to a purchaser of Units resident in Nova Scotia contains a Misrepresentation, a purchaser resident in Nova Scotia to whom this Offering Memorandum has been sent or delivered and who purchases the Units is deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and the purchaser has a right of action for damages against the Fund, against every person acting in a capacity with respect to the Fund which is similar to that of a director of a company, and every person or company that signed the Offering Memorandum or alternatively, may elect to exercise a right of rescission against the Fund (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages), provided that:

- (a) in an action for rescission or damages, a person will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (b) no person other than the Fund is liable if the person proves that:
  - (i) this Offering Memorandum or the amendment to this Offering Memorandum was sent or delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave reasonable general notice that it was delivered without the person's knowledge or consent;
  - (ii) after delivery of this Offering Memorandum or the amendment to this Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation in this Offering Memorandum, or amendment to this Offering Memorandum, the person withdrew the person's consent to this Offering Memorandum, or the amendment to this Offering Memorandum, and gave reasonable general notice of the withdrawal and the reason for it;
  - (iii) with respect to any part of the Offering Memorandum or amendment to 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, an opinion or a statement of an expert, the person or had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or the relevant part of the Offering Memorandum or amendment to 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; or
- (iv) with respect to any part of this Offering Memorandum or amendment to 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 that there had been a Misrepresentation;
- (c) in an action for damages, a person is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon;
- (d) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Units were offered; and
- (e) no action may be commenced to enforce a right of action more than 120 days:
  - (i) after the date on which payment was made for the Units; or
  - (ii) after the date on which the initial payment was made for Units where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

In addition, a person is not liable in an action for a Misrepresentation in forward-looking information if:

- (a) this Offering Memorandum contains, proximate to that information,
  - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information;
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

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

### **Nunavut**

Sections 112 and 121 of the *Securities Act* (Nunavut) provide that if the Offering Memorandum delivered to a purchaser of Units resident in Nunavut 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 right of action for damages against the Fund, the selling security holder on whose behalf the distribution is made, against every person acting in a capacity with respect to the Fund which is similar to that of a director of a company, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Fund or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person will not be liable if the person proves that the purchaser purchased the Units with the knowledge of the Misrepresentation;
- (b) a person (other than the Fund or selling security holder on whose behalf the distribution is made) will not be liable if:
  - (i) 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 promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of that person;
  - (ii) the person, on becoming aware of the Misrepresentation in the Offering Memorandum, withdrew the person's consent to the Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it; or
  - (iii) 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:
    - A. there had been a Misrepresentation; or
    - B. the relevant part of the Offering Memorandum did not fairly represent the report, statement or opinion of the expert or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
  - (iv) except for the Fund and selling security holder, for any part of an Offering Memorandum that is 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, statement or opinion 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 that there had been a Misrepresentation;
- (c) the Fund, and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling security holder, is not liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation:
  - (i) was based on information previously publicly disclosed by the Fund;

- (ii) was a Misrepresentation at the time of its previous public disclosure; and
- (iii) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the Units being distributed;
- (d) in an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the Misrepresentation;
- (e) the amount recoverable by the purchaser in an action for damages must not exceed the price at which the Units purchased by the purchaser were offered; and
- (f) no action may be commenced to enforce a right of action more than the earlier of:
  - (i) in the case of an action for rescission, 180 days after the date of the purchase; or
  - (ii) in the case of an action for damages, (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (B) three years after the date of the purchase.

In addition, no person will be liable with respect to a Misrepresentation in in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to the forward-looking information,
  - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum.

## **Ontario**

Sections 130.1 and 132.1 of the *Securities Act* (Ontario) provide that if the Offering Memorandum or amendment delivered to a purchaser of Units resident in Ontario 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 right of action for damages against the Fund and a selling securityholder on whose behalf the distribution is made or while still the owner of Units purchased by that purchaser, for rescission (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages), provided that:

- (a) no person or company will be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, the defendant is not liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation relied upon;
- (c) an Fund shall not be liable where it is not receiving any proceeds from the distribution of the Units being distributed and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation,
  - (i) was based on information that was previously publicly disclosed by the Fund;
  - (ii) was a Misrepresentation at the time of its previous public disclosure; and
  - (iii) was not subsequently publicly corrected or superseded by the Fund prior to the completion of the distribution of the Units being distributed;
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were offered; and
- (e) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:
  - (i) in the case of an action for rescission, 180 days after the date of purchase; or
  - (ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the Misrepresentation, and (B) three years after the date of purchase.

A person or company is not liable for a Misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to that information,
  - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Rights referred to above do not apply in respect of the 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;
- (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.

### **Prince Edward Island**

Sections 112 and 121 of the *Securities Act* (Prince Edward Island) provide that if the Offering Memorandum contains a Misrepresentation, a purchaser resident in Prince Edward Island who purchased a security under this Offering Memorandum will be deemed to have relied upon the Misrepresentation and will have a right of action against the Fund, the selling securityholder on whose behalf the distribution is made, against every person acting in a capacity with respect to the Fund which is similar to that of a director of a company, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Fund or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) no person will be liable if the person or company proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (b) except the Fund or selling securityholder, no person will be liable if it proves that
  - (i) 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 Fund that it had been sent without the knowledge and consent of the person;
  - (ii) 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 Fund of the withdrawal and the reason for it; or
  - (iii) 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
    - A. there had been a Misrepresentation, or
    - B. the relevant part of the Offering Memorandum (1) did not fairly represent the report, statement or opinion of the expert, or (2) was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
- (c) except the Fund or selling securityholder, no person or company will be liable with respect to any part of the Offering Memorandum not purporting to be made on the

authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person,

- (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;
- (d) in an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the Misrepresentation;
- (e) an Fund, and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling securityholder, shall not be liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation
- (i) was based on information that was previously publicly disclosed by the Fund;
  - (ii) was a Misrepresentation at the time of its previous public disclosure; and
  - (iii) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the Units being distributed;
- (f) in no case shall the amount recoverable by a plaintiff exceed the price at which the Units purchased by the plaintiff were offered; and
- (g) no action shall be commenced to enforce a right of action more than:
- (i) for rescission, 180 days after the date of the purchase; or
  - (ii) for damages, the earlier of (A) 180 days after the purchaser first had knowledge of the Misrepresentation, or (B) three years after the date of the purchase.

A person is not liable for a Misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to that information,
  - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

- (b) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum.

### **Saskatchewan**

Sections 138 and 147 of *The Securities Act* (Saskatchewan) provide that where an Offering Memorandum, together with any amendment to the Offering Memorandum, sent or delivered to a purchaser resident in Saskatchewan contains a Misrepresentation, a purchaser who purchases a security covered by the Offering Memorandum or an amendment to the Offering Memorandum has, without regard to whether the purchaser relied on the Misrepresentation, a right of action for damages against (a) the Fund or a selling security holder on whose behalf the distribution is made; (b) every promoter and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company or the selling security holder, as the case may be, at the time the Offering Memorandum or the amendment to the Offering Memorandum 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 clauses (a) to (c), signed the Offering Memorandum or the amendment to the Offering Memorandum; and (e) every person who or company that sells Units on behalf of the Fund or selling security holder under the Offering Memorandum or amendment to the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Fund or the selling security holder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (b) except the Fund or selling security holder, no person or company is liable if the person or company proves that:
  - (i) the Offering Memorandum or the amendment to the Offering Memorandum was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of its being sent or delivered, the person or company immediately gave reasonable general notice that it was so sent or delivered;
  - (ii) after the filing of the Offering Memorandum or the amendment to the Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation in the Offering Memorandum or the amendment to the Offering Memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;
  - (iii) with respect to any part of the Offering Memorandum or of the amendment to the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:

- A. there had been a Misrepresentation;
  - B. the part of the offering or of the amendment to the Offering Memorandum did not fairly represent the report, opinion or statement of the expert; or
  - C. the part of the Offering Memorandum or of the amendment to the Offering Memorandum was not a fair copy of or extract from the report, opinion or statement of the expert;
- (iv) with respect to any part of the Offering Memorandum or of the amendment to the Offering Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert that contains a Misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert:
- A. the person or company had, after reasonable investigation, reasonable grounds to believe, and did believe, that the part of the Offering Memorandum or of the amendment to the Offering Memorandum fairly represented the person's or company's report, opinion or statement; or
  - B. on becoming aware that the part of the Offering Memorandum or of the amendment to the Offering Memorandum did not fairly represent the person's or company's report, opinion or statement as an expert, the person or company immediately advised the Commission and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of the Offering Memorandum or of the amendment to the Offering Memorandum; or
- (v) with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, the statement was a correct and fair representation of the statement or copy of or extract from the document and the person or company had reasonable grounds to believe, and did believe, that the statement was true;
- (c) except for the Fund and selling security holder, no person or company will be liable for any part of the Offering Memorandum or the amendment to the Offering Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert, unless the person or company:
- (i) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation; or
  - (ii) believed there had been a Misrepresentation;
- (d) except for the Fund and selling security holder, no person or company will be liable for any part of the Offering Memorandum or the amendment to the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of

or an extract from a report, opinion or statement of an expert, unless the person or company:

- (i) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation; or
  - (ii) believed there had been a Misrepresentation;
- (e) every person who or company that sells Units on behalf of the Fund or selling security holder under the Offering Memorandum or amendment to the Offering Memorandum is not liable if that person or company can establish that he, she or it cannot reasonably be expected to have had knowledge of any misrepresentation in the offering memorandum or the amendment to the offering memorandum;
- (f) 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 Units resulting from the Misrepresentation relied on;
- (g) in no case shall the amount recoverable exceed the price at which the Units were offered; and
- (h) no action shall be commenced to enforce a right of action more than:
- (i) for rescission, 180 days after the date of purchase; or
  - (ii) for damages, the earlier of: (A) one year after the purchaser first had knowledge of the Misrepresentation, or (B) six years after the date of the purchase.

A person or company is not liable for a Misrepresentation in forward-looking information in the Offering Memorandum or amendment if the person or company proves that:

- (a) with respect to the document containing the forward-looking information, proximate to that information there is contained:
  - (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

## **Yukon**

Sections 112 and 121 of the *Securities Act* (Yukon) provides that where the Offering Memorandum is delivered to a purchaser resident in the Yukon and it contains a Misrepresentation, a purchaser who purchases a security offered by the Offering Memorandum during the period of distribution is deemed to have relied on the Misrepresentation, and has a right of action for damages against the Fund, the selling

securityholder on whose behalf the distribution is made, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of the Offering Memorandum, and every person who signed the Offering Memorandum. In addition, such a purchaser also has a right of rescission against the Fund or the selling securityholder on whose behalf the distribution is made (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages). Such rights of rescission and damages are subject to certain limitations including the following:

- (a) a person or company will not be liable if the person or company proves that the purchaser purchased the Units with the knowledge of the Misrepresentation;
- (b) except the Fund and selling security holder, a person or company will not be liable if:
  - (i) the Offering Memorandum was sent to the purchaser without the person or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of that person or company;
  - (ii) the person or company, on becoming aware of the Misrepresentation in the Offering Memorandum, withdrew the person or company's consent to the Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it; or
  - (iii) 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:
    - A. there had been a Misrepresentation; or
    - B. the relevant part of the Offering Memorandum (1) did not fairly represent the report, statement or opinion of the expert (2) or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;
- (c) for any part of an Offering Memorandum that is 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, statement or opinion 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;
- (d) an Fund, and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of the Offering Memorandum who is not a selling security holder, is not liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation
  - (i) was based on information that was previously publicly disclosed by the Fund;

- (ii) was a Misrepresentation at the time of its previous public disclosure; and
- (iii) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the Units being distributed;
- (e) the amount recoverable by the purchaser in an action for damages must not exceed the price at which the Units purchased by the purchaser were offered;
- (f) in an action for damages, a defendant will not be liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the security resulting from the Misrepresentation; and
- (g) no action shall be commenced to enforce a right of action more than:
  - (i) for rescission, 180 days after the date of purchase; or
  - (ii) for damages, the earlier of: (A) 180 days after the purchaser first had knowledge of the Misrepresentation, or (B) three years after the date of the purchase.

In addition, no person or company will be liable with respect to a Misrepresentation in forward-looking information (excluding those made in financial statements) if:

- (a) the Offering Memorandum containing the forward-looking information contained, proximate to the forward-looking information,
  - (i) reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and
  - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum.