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This Confidential Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of this document, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Confidential Offering Memorandum or any information contained herein.

LIGHTWATER

PARTNERS LTD

LIGHTWATER LONG SHORT FUND

CONFIDENTIAL OFFERING MEMORANDUM

December 10, 2019

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SUMMARY OF THE OFFERING

Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund. The following is a summary only and is qualified by the more detailed information contained in this Confidential Offering Memorandum. Capitalized terms used but not defined in this summary shall have the meaning specified in the Glossary of Terms unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this Confidential Offering Memorandum are to Canadian dollars.

The Fund

The **Lightwater Long Short Fund** is an unincorporated open-end trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated as of December 3, 2012, as amended and/or restated from time to time. **Lightwater Partners Ltd.** is the Trustee and Manager of the Fund. **The Fund is a connected issuer of Lightwater Partners Ltd. (the “Investment Advisor”), the investment advisor to the Fund.** The Investment Advisor will earn fees from the Fund. See “Conflicts of Interest”.

Investment Objective, Strategies and Restrictions

Investment Objective

The investment objective of the Fund is to deliver absolute returns to unitholders (net of all fees) over the long term. The Fund intends to accomplish its set objective through superior securities selection and taking advantage of opportunities arising from inefficiencies and imbalances in markets and individual securities pricing.

The Fund will do this through taking both long and short investment positions, primarily in equities. The Fund will invest mainly in securities of companies based in Canada or listed in Canada. The Fund will hold a concentrated portfolio and may hold securities from any sector.

Investment Strategies

The fund strategy will emphasize medium-capitalized stocks, although it may hold stocks of any capitalization. The Investment Advisor uses bottom-up fundamental analysis methodology in selecting investments for the Fund. The Fund will follow a long/short strategy. The Investment Advisor will seek to identify and buy shares in companies which the Investment Advisor believes are undervalued in the marketplace, and short sell shares in companies which the Investment Advisor perceives as overvalued in the market place. This may be on either a relative valuation basis or an outright valuation basis.

The Fund’s disciplined investment process will combine both bottom up fundamental analysis and tactical trading. This investment process provides both qualitative and quantitative assessment of appropriate investment opportunities. The Investment Advisor will use its in-house research capability and its assessment of corporate management to both generate and evaluate investment ideas.

The following strategies may also be used on an opportunistic basis in order to enhance the Fund's returns:

Pair Trades

This strategy involves buying (or “going long”) a stock which the Investment Advisor believes is under-valued or is likely to appreciate in price and offsetting that position by selling a stock (“going short”) that the Investment Advisor believes to be over-valued or likely to appreciate less in price than the long position. Pair trading may help to reduce market risk, sector-specific risk, portfolio volatility, and correlation with an index.

Core Conservative Holdings

These are stocks (long only positions) that typically exhibit low volatility and low correlation with indexes. Typically, the Investment Advisor does not hedge these types of positions. The investment holding period for these positions are usually longer than the overall portfolio average.

Catalyst Investing:

The Investment Advisor will invest either long or short in securities in which it believes an upcoming catalyst event will yield positive returns for the investment exposure. Examples of catalysts might include but not be restricted to earnings events, restructurings, management changes, and corporate spin-offs.

Opportunistic trading:

This will be utilized to both capture short term moves in core portfolio holdings as well as to take advantage of market dislocations and mispricing of equity issues (deemed suitable investments by the Investment Advisor).

Private Placements

The Fund, upon the authority of the Investment Advisor, may also participate in private placements which are viewed as attractive and suitable for the portfolio. Typically in Canada these give the opportunity to invest in companies at attractive valuations.

Derivatives

The Fund may use derivatives to hedge risk within the portfolio at the security, sector or market level, or as stock replacement strategies to better utilize capital and reduce risk.

Cash Position

There are no restrictions on the size of the Fund’s cash holdings. The Fund need not be fully invested at all times, so as to give the Investment Advisor the flexibility to add positions and exposure when the appropriate opportunity presents itself.

Concentration

The Fund may take a significant position in an attractive stock or group of stocks. The assets of the Fund may be concentrated in specialized industries, market sectors or asset classes. Accordingly, the Fund may be significantly less diversified than conventional funds. This potential concentration means that the Fund is not intended to be, and would generally not be suitable as, a complete investment program for any investor.

Tax Status

The Fund qualifies as a quasi-mutual fund trust for purposes of the *Income Tax Act* (Canada).

Investment Restrictions

The Investment Advisor will monitor and manage the overall risk profile of the Fund. The Investment Advisor will limit exposure based upon several criteria, including *but not limited to* the following restrictions, providing that the Fund will:

1. have a maximum gross exposure limit of 250%;
2. have a maximum net exposure limit of 150%;
3. not have investments in commodities if the intention is to take physical delivery of the commodity.

Risk Factors

Investment in the Units is speculative due to the nature of the Fund's business and involves certain risk factors, not all of which may be described in this document. There is no guarantee that an investment in Units of the Fund will earn any positive return in the short or long term and investors must be able to bear the risk of a complete loss of their investment. Investors should consider their personal circumstances and the risk factors described in the Confidential Offering Memorandum before investing. See "Risk Factors".

Manager, Investment Advisor and Investment Consultant

Manager

Lightwater Partners Ltd., whose registered office is located at 372 Bay Street, Suite 1700, Toronto, Ontario M5H 2W9, is the Manager of the Fund. The Manager is responsible for approving and monitoring the Fund's various service providers, including the managing the Fund's investment portfolio. From time to time the Manager may retain the services of other Advisors. See "Management of the Fund – The Manager".

Investment Advisor

The Fund has engaged **Lightwater Partners Ltd.** to direct the day-to-day business, operations and affairs of the Fund, including management of the Fund's portfolio on a discretionary basis

and distribution of the Units of the Fund. The Investment Manager is incorporated under the Business Corporations Act (Ontario) and its principal place of business is 372 Bay Street, Suite 1700, Toronto, Ontario M5H 2W9. The Investment Manager is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer in Ontario. The Investment Advisor also acts as the Trustee of the Fund. See “The Investment Manager”.

The Units

The beneficial interest in the Fund is represented by Units. The Fund may issue an unlimited number of Units in any number of classes. The Trustee will determine the opening **Net Asset Value** of each class of Units. Each Unit carries with it a right to vote, with one vote for each whole Unit (the Net Asset Value of all Units held by an investor will be aggregated for the purpose of determining voting rights). The Fund may issue fractions of a Unit. The Units will be issued at the applicable Net Asset Value per Unit.

Classes of Units

Units of the Fund are currently issued in the following classes:

Class A: will be issued to qualified purchasers who purchase units through eligible Registered Dealers;

Class F: will be issued to (i) purchasers who participate in fee-based programs through eligible registered dealers, and (ii) qualified individual purchasers (in the Manager’s sole discretion.)

Class I: will be issued to qualified purchasers.

Class P: will be issued to qualified purchasers.

Management Fee

The Fund pays to the Manager an annual Management Fee based on a percentage of the Net Asset Value of the Fund calculated and payable as of the last business day of each calendar month. The table below sets out the Management Fee applicable to each class:

Class	Management Fee
A	2.00%
F	1.00%
I	2.00%
P	2.00%

Performance Fee

The Manager is entitled to receive an incentive fee (the “**Performance Fee**”) in respect of the Class A Units of the Fund, the Class F Units of the Fund, the Class P Units of the Fund, the Class I Units of the Fund, and the Class X Units of the Fund. The Performance Fee based on the increase in Adjusted Net Asset Value of the units above the “Hurdle”. To the extent that the

Adjusted Net Asset Value per unit has increased more than the “Hurdle”, 20.00% of the excess return will be paid as performance fees, on such Valuation Date or Redemption date (if such amount is negative, or if the positive difference is less than the Hurdle Return calculated as at such date, the distribution in respect of such Unit shall be zero). The Performance Fee is calculated on each of the Class A Units, Class F Units, Class P Units, Class I Units, and the Class X Units and charged to the respective Class on each Valuation Date. The Performance Fee will be subject to applicable taxes and paid semi-annually.

“**Adjusted Net Asset Value**” of a Unit on any date is equal to the Net Asset Value per Unit of such Unit on such date (calculated after deduction of the Management Fee and general expenses but before deduction of the Performance Fee and any redemption deductions payable in respect of such Unit) plus the amount of any distributions paid to the Unitholder in respect of such Unit since the date as at which the High Water Mark of such Unit was established.

“**High Water Mark**” for a Unit as at any date means, initially, its subscription price, and thereafter will be adjusted from time to time to equal its Net Asset Value immediately following the payment of a Performance Fee in respect of that Unit. The High Water Mark of a Unit will be appropriately adjusted in the event of a consolidation, subdivision or re-designation of Units.

“**Hurdle Return**” for a Unit is the amount equal to the High Water Mark of such Unit multiplied by the Hurdle Rate (“the Benchmark”) calculated based on the number of months from the date on which the “High Water Mark” re-set up to and including the date on which the Hurdle Return is calculated.

“**Benchmark**” for the calculation of the Performance Fee for the Class A Units, the Class F Units, the Class P Units, and the Class X Units of the Fund is a zero percent (0%) return. The Benchmark used in the calculation of the Performance Fee for the Class I Units of the Fund is set every six months in advance and is based on the Canadian 10 year Treasury yield as published by Thompson Reuters. The monthly Benchmark for the Class I Units will be 1/12th of the set annual Canadian 10 year Treasury yield as published by Thompson Reuters set every six (6) months in advance.

Any losses in the value of the Class A Units, the Class F Units, the Class P Units, the Class I Units, and Class X Units of the Fund relative to the Benchmark of the Fund from a level at which a Performance Fee was last calculated and accrued must be recouped before any further Performance Fee is accrued by such Units (in all cases adjusted to include distributions and cash flows). In particular, if the performance of such Units is less than the performance of the Benchmark of the Fund since the last Valuation Date, creating a return deficiency (a “Return Deficiency”), then no Performance Fee is payable or shall be accrued by such Units for the current Valuation Date or for any subsequent Valuation Date until the performance of such Units on a cumulative compounded basis calculated from the first of such subsequent Valuation Dates, exceeds the amount of the cumulative compounded Return Deficiency (the “Cumulative Return Deficiency”). The Cumulative Return Deficiency refers to the Return Deficiency for the current Valuation Date plus the compounded amount of the Return Deficiency from each previous Valuation Date that has not been eliminated.

Performance fee is calculated at the investor account level and charged to the respective class to which the account belongs to.

Administration Fees and Expenses of the Fund

In addition to the Management Fee and the Performance Fee, the Fund will incur and pay out of the Fund's assets: (i) any charges or expenses which, in the sole opinion of the Manager, are necessary or incidental to the Fund's operation; (ii) compensation to persons with whom the Fund has contracted or transacted business or for special services provided to the Fund including, without limitation, services as a broker, transfer agent, registrar, or custodian or for legal, accounting or other professional services, as the Manager acting in good faith deems reasonable, and (iii) any and all present and future levies, duties, sales, withholdings and any tax of whatsoever nature or kind of any jurisdiction together with any and all interest, charges and penalties and other payments of any nature or kind relating thereto. The Manager has the right, in its sole discretion, to pay some or all of the Fund's ongoing expenses out of its Management Fee and/or the Performance Fee.

Valuation Date

Units will be valued on the last Business Day of each calendar month or any other date determined by the Manager. See "Portfolio Valuation and Net Asset Value".

Distributions

The Fund may distribute annually, or at such other times as determined by the Manager to holders of Units of the Fund (the "Unitholders") sufficient income and capital gains (net of applicable losses) for each taxation year of the Fund, so that the Fund would not have any liability for Canadian federal income tax under Part I of the Tax Act. Any net income and net realized capital gains of the Fund for a taxation year not previously distributed will be distributed on or before December 31 in each year to the unitholders of record of the Fund on such date. Distributions paid on Units may be (i) reinvested in additional Units of the same class at the applicable Net Asset Value or may be (ii) payable in cash at the discretion of the Manager.

Also, when a Unitholder redeems all or any of their Units of the Fund, there may be a special distribution of net realized capital gains of the Fund in cash out of the redemption proceeds otherwise payable to such Unitholder to the time immediately prior to redemption, as determined by the Manager. The Manager has the sole discretion to determine the amount, if any, of the Fund's net realized capital gains for its taxation year and the sole discretion to allocate all or any portion of such net realized capital gains to a Unitholder who has redeemed Units of the Fund at any time in that year, provided that the amount of net realized capital gains allocated to a particular redeeming Unitholder shall not exceed the amount, if any, by which the amount payable on the redemption of the Units exceeds the adjusted cost base of the Units being redeemed. The balance of the amount paid to such Unitholder at the time of redemption shall be paid as proceeds of redemption.

The Trustee may make a special distribution that will be automatically reinvested in additional Units on the Valuation Date on the date of or immediately following the distribution at the applicable Net Asset Value per Unit. Once the distribution reinvestment is completed, there will be a consolidation of Units such that each Unitholder (other than a non-resident in respect of

whose share of the distribution tax was withheld) has the same number of Units that they held immediately prior and the Net Asset Value per Unit will be adjusted accordingly so that the aggregate Net Asset Value of the affected Units remains the same as prior to the distribution.

Canadian Federal Income Tax Considerations

General: The Fund is required to include in computing its income in respect of each taxation year all dividends received by it, distributions paid or payable to it by a trust, accrued interest, income or gains from most types of derivatives transactions and the taxable portion of capital gains, net of allowable capital losses. The Fund will deduct in computing its income for the year all reasonable expenses incurred by it for the purposes of earning income. In addition, the Fund may deduct amounts of Fund income (including taxable capital gains) paid or payable to Unitholders. Unitholders will generally be required to include in computing their income any income and taxable capital gains paid or made payable to them by the Fund, including reinvested distributions. See “Canadian Federal Income Tax Considerations”.

Status: Provided the Fund qualifies at all relevant times as a “mutual fund trust” or a “registered investment” under the Tax Act, Units will be “qualified investments” under the Tax Act for trusts governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, deferred profit sharing plan, registered disability savings plan and tax-free savings account. See “Investing in the Fund”.

Reporting to Unitholders

Statements for Canadian tax purposes reporting distributions and other relevant information will be sent to all Unitholders annually. Audited financial statements of the Fund as at the end of each Fiscal Year and unaudited financial statements for the six months ending June 30 in each Fiscal Year may be made available to Unitholders upon request.

GLOSSARY OF TERMS

“**Accredited Investor**” means an accredited investor as such term is defined in NI 45-106 and as described under “Investing in the Fund – Accredited Investors”. See the Subscription Agreement set out in Schedule “B” to this Confidential Offering Memorandum for additional information;

“**Accredited Investor Exemption**” means the exemption from the prospectus requirement for Accredited Investors as set forth in NI 45-106;

“**Advisor**” means any Person appointed by the Manager of the Fund to provide investment advice to the Fund or to the Manager, or a sub-Advisor appointed by an Advisor, and if the Advisor is a company, any company resulting from any amalgamation to which the Advisor or any successor is a party or any company succeeding to the business of the Advisor;

“**Business Day**” means any day normally treated as a business day in Toronto, Ontario and on which day there is a regular session on the Toronto Stock Exchange and any other securities market or exchange on which a significant portion of the Fund’s investments trade at any time;

“**Cap**” means the maximum assets under management the Manager is willing to accept before prohibiting new contributions to the Fund;

“**Confidential Offering Memorandum**” means this confidential offering memorandum, including all and any schedules and attachments, as may be amended and/or restated from time to time;

“**CRA**” means the Canada Revenue Agency and any successor agency;

“**Custodian**” means any person or firm appointed, employed, or contracted by the Manager to provide custodial services to the Fund;

“**Declaration of Trust**” means the master declaration of trust dated as of December 3, 2012 establishing the Fund, as may be amended and/or restated from time to time, and includes any and every supplemental indenture or ancillary thereto;

“**Fiscal Year**” of the Fund means the fiscal year established for the Fund in the Declaration of Trust and as described under “Reporting to Unitholders”;

“**Fund**” means the **Lightwater Long Short Fund**;

“**Fund Administrator**” means **SGGG Fund Services Inc.**, or such as other fund administrator as the Manager may appoint from time to time;

“**Hurdle Rate**” has the meaning given to such term under “Fees and Expenses – Performance Fee”;

“**Investment Advisor**” means **Lightwater Partners Ltd.** in its capacity as the manager of the Fund’s portfolio on a discretionary basis and distribution of the Units of the Fund;

“Investment Advisory Agreement” means the agreement between the Manager and the Investment Advisor dated as of April 1, 2014, as amended from time to time;

“Management Agreement” means the agreement between Lightwater Partner Funds and the Manager dated as of December 3, 2012 as amended from time to time;

“Management Fee” has the meaning given to such term under “Fees and Expenses – Management Fee”;

“Management Fee Distribution” has the meaning given to such term under “Fees and Expenses – Management Fee Distributions”;

“Manager” means **Lightwater Partners Ltd.** in its capacity as the manager of the Fund, and any successor manager appointed pursuant to the Declaration of Trust;

“Minimum Amount Exemption” means the exemption from the prospectus requirement for persons who qualify as minimum amount investors as set forth in NI 45-106;

“Misrepresentation” has the meaning ascribed to it by securities legislation of the jurisdiction in which the investor resides;

“Net Asset Value” means the total net asset value of all classes of the Fund or the net asset value of a particular class of Units, as the context requires, and **“Net Asset Value per Unit”** means the net asset value of a class divided by the number of Units of such class then outstanding, in each case calculated in accordance with the Declaration of Trust as described under “Portfolio Valuation and Net Asset Value”;

“NI 31-103” means National Instrument 31-103 *Registration Requirements and Exemptions*, as amended or replaced from time to time;

“NI 45-106” means National Instrument 45-106 *Prospectus and Registration Exemptions*, as amended or replaced from time to time;

“Performance Fee” has the meaning given to such term under “Fees and Expenses – Performance Fee”;

“Person” means any individual, partnership, Unitholders, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

“Prime Brokerage Agreement” means the agreement between the Manager and the Custodian of the Fund property; as may be amended from time to time;

“Recordkeeper” means SGGG Fund Services Inc. or such as other Recordkeeper as the Manager may appoint from time to time;

“**Redemption Date**” means with respect to any class or any Units, (i) a Valuation Date, or (ii) such other date as the Manager in its sole discretion may decide from time to time;

“**Redemption Value**” has the meaning given to such term under “Redemptions of Units – Redemption Amount”;

“**Registered Dealer**” means an investment dealer registered pursuant to NI 31-103;

“**Redemption Form**” means the redemption form attached as Schedule “C” to this Confidential Offering Memorandum;

“**Special Resolution**” means a resolution passed by not less than 66 $\frac{2}{3}$ % of the votes cast by the Unitholders who voted in respect of that resolution at a meeting or in writing, as the case may be;

“**Subscription Agreement**” means the subscription agreement attached as Schedule “B” to this Confidential Offering Memorandum;

“**Subscription Date**” means a Valuation Date or such other date, as the Manager in its sole discretion may decide from time to time, on which the Manager or its Advisor may accept subscriptions for Units;

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

“**Tax Deferred Plans**” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans and registered disability savings plans, each as defined in the Tax Act;

“**TFSA**” means a trust governed by a tax-free savings account, as defined in the Tax Act;

“**Trustee**” means **Lightwater Partners Ltd.** in its capacity as the trustee of the Fund;

“**Unit**” means a unit which represents the interest, rights and obligations of the holder thereof in the Fund as recorded in the register of Fund at any time, which interest shall may be represented by one or more classes and/or series of Units;

“**Unitholder**” means a Person whose name appears on the register or registers of the Fund as a holder of Units of the Fund; and

“**Valuation Date**” means the last Business Day of each calendar month or such other date as established in the Declaration of Trust or as determined by the Manager for purposes of calculating the Net Asset Value of Fund.

THE FUND

The **Lightwater Long Short Fund** is an unincorporated open-end trust created under the laws of the Province of Ontario pursuant to the Declaration of Trust dated as of December 3, 2012, as amended and/or restated from time to time. **Lightwater Partners Ltd.** is the Trustee, Manager

and Investment Advisor of the Fund. The address of the head office of Lightwater Partners Ltd. is located at 372 Bay Street, Suite 1700, Toronto, Ontario M5H 2W9.

An investment in the Fund is represented by Units, each of which represents an interest in the net assets of the Fund. Units are issued on a continuous basis in one of several classes. See “Units of the Fund”.

THE OFFERING

The Offering

Units are offered on a continuous basis to investors resident in all provinces and territories of Canada pursuant to exemptions from the prospectus requirements of applicable securities legislation. See “Investing in the Fund”.

A Person wishing to become a Unitholder or a Unitholder wishing to subscribe for additional Units shall subscribe by means of the Subscription Agreement in such form as may be approved by the Manager from time to time. The subscriber shall tender with the Subscription Agreement full payment of the aggregate subscription price of the Units in the form of a cheque made payable to “Lightwater Long Short Fund” or confirmation of wire instructions or other evidence of payment (as the Manager may otherwise permit or require) for the amount representing the purchase price of the Units subscribed for. No Units shall be issued without receipt by the Fund of the subscription proceeds and the Subscription Agreement. The Manager or its Advisor has the unconditional right to accept or reject any subscription submitted and will promptly give notice thereof to the investor. If a subscription is not accepted by the Manager or its Advisor, all subscription proceeds will be returned, without interest, deduction or penalty to the investor. If the subscription is accepted only in part, a cheque representing a portion of the purchase price for that portion of the subscription for the Units which is not accepted will be promptly delivered or mailed to the subscriber without interest. See “Units of the Fund” and “Investing in the Fund”.

Minimum Offering

There is no minimum or maximum number of Units offered by the Fund or minimum or maximum proceeds from the sale of Units.

Initial Minimum Investment

Each initial investment by an investor must not be less than the amount specified by the Manager which currently is \$25,000 for investors who qualify as an Accredited Investor under the Accredited Investor Exemption as defined in NI 45-106, or \$150,000 for investors who qualify under the Minimum Amount Exemption as defined in NI 45-106. The Manager reserves the right to change the minimum amounts for initial investments in the Fund at any time, from time to time, and on a case-by-case basis, subject to regulatory requirements. See “Investing in the Fund – Initial Minimum Investment”.

Additional Investments

Each additional investment by an investor must not be less than the amount specified by the Manager which is currently \$1,000. The Manager reserves the right to change the minimum amounts for additional investments in the Fund at any time, from time to time, and on a case-by-case basis, subject to regulatory requirements. See “Investing in the Fund – Additional Investments”.

Early Redemption Penalty

Redemptions of Units may be subject to a penalty of up to 3.00% penalty of the aggregate Net Asset Value per Unit. See “Redemption of Units – Early Redemption Penalty”.

Suspension and Restriction of Redemptions

The Manager has the right to cause redemptions of units of a class of the Fund to be suspended for the whole or any part of a period during which normal trading is suspended on any stock exchange, options exchange or futures exchange on which securities or derivatives representing more than 50% by value or underlying market exposure of the total assets of the Fund are traded. Any redemptions that would otherwise have taken place during the period of suspension will be effected at the close of business on the Valuation Date immediately following the termination of the suspension unless, prior to that date, a unitholder has withdrawn their redemption order.

On any Valuation Date, the Manager may restrict redemptions of a class of units of the Fund at the current day’s Net Asset Value per unit of that class of the Fund in the event that the Manager receives redemption orders for fifteen percent (15%) or more of the outstanding units of that class of the Fund and the Manager is of the opinion that redeeming all such units of that class of the Fund would significantly and adversely affect the interests of the remaining unitholders of the Fund. In the event that the Manager so restricts redemptions of a class of units of the Fund, the Manager will attempt to process as many of the redemption orders as possible at the current day’s Net Asset Value per unit of that class of the Fund, without adversely affecting the interests of the remaining unitholders of the Fund. Any redemption orders for units of a class of the Fund that cannot be satisfied will be processed on subsequent Valuation Dates, at the Net Asset Value per unit of that class of the Fund on such subsequent Valuation Dates. In a situation where redemptions of a class of units of the Fund are restricted in this manner, the Manager will attempt to allocate redemption requests in a manner that the Manager deems fair and equitable to those unitholders of that class of the Fund requesting redemptions.

Unit Certificates

Certificates for Units will not be issued as the Fund maintains a book based system of registration.

Rights of Action

Investors are entitled to the benefit of certain rights of action which are described in Schedule “A” hereto.

INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS

Investment Objective

The investment objective of the Fund is to deliver absolute returns to unitholders (net of all fees) over the long term. The Fund intends to accomplish its set objective through superior securities selection and taking advantage of opportunities arising from inefficiencies and imbalances in markets and individual securities pricing.

The Fund will do this through taking both long and short investment positions, primarily in equities. The Fund will invest mainly in securities of companies based in Canada or listed in Canada. The Fund will hold a concentrated portfolio and may hold securities from any sector.

Investment Strategies

The fund strategy will emphasize medium-capitalized stocks, although it may hold stocks of any capitalization. The Investment Advisor uses bottom-up fundamental analysis methodology in selecting investments for the Fund. The Fund will follow a long/short strategy. The Investment Advisor will seek to identify and buy shares in companies which the Investment Advisor believes are undervalued in the marketplace, and short sell shares in companies which the Investment Advisor perceives as overvalued in the market place. This may be on either a relative valuation basis or an absolute valuation basis.

The Fund's disciplined investment process will combine both bottom up fundamental analysis and tactical trading. This investment process provides both qualitative and quantitative assessment of appropriate investment opportunities. The Investment Advisor will use its in-house research capability and its assessment of corporate managements to both generate and evaluate investment ideas.

The following strategies may also be used on an opportunistic basis in order to enhance the Fund's returns:

Pair Trades

This strategy involves buying (or "going long") a stock which the Investment Advisor believes is under-valued or is likely to appreciate in price and offsetting that position by selling a stock ("going short") that the Investment Advisor believes to be over-valued or likely to appreciate less in price than the long position. Pair trading may help to reduce market risk, sector-specific risk, portfolio volatility, and correlation with an index.

Core Conservative Holdings

These are stocks (long only positions) that typically exhibit low volatility and low correlation with indexes. Typically, the Investment Advisor does not hedge these types of positions. The investment holding period for these positions are usually longer than the overall portfolio average.

Catalyst Investing:

The Investment Advisor will invest either long or short in securities in which it believes an upcoming catalyst event will yield positive returns for the investment exposure. Examples of catalysts might include but not be restricted to earnings events, restructurings, management changes, and corporate spin-offs.

Opportunistic trading:

This will be utilized to both capture short term moves in core portfolio holdings as well as to take advantage of market dislocations and mispricing of equity issues (deemed suitable investments by the Investment Advisor).

Private Placements

The Fund, upon the authority of the Investment Advisor, may also participate in private placements which are viewed as attractive and suitable for the portfolio. Typically in Canada these give the opportunity to invest in companies at attractive valuations.

Derivatives

The Fund may use derivatives to hedge risk within the portfolio at the security, sector or market level, or as stock replacement strategies to better utilize capital and reduce risk.

Cash Position

There are no restrictions on the size of the Fund's cash holdings. The Fund need not be fully invested at all times, so as to give the Investment Advisor the flexibility to add positions and exposure when the appropriate opportunity presents itself.

Concentration

The Fund may take a significant position in an attractive stock or group of stocks. The assets of the Fund may be concentrated in specialized industries, market sectors or asset classes. Accordingly, the Fund may be significantly less diversified than conventional funds. This potential concentration means that the Fund is not intended to be, and would generally not be suitable as, a complete investment program for any investor.

Tax Status

The Fund qualifies as a quasi-mutual fund trust for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") and is a qualified investment for registered retirement saving plans, registered retirement income funds, deferred profit saving plans and registered education savings plans (collectively, "**registered plans**").

Investment Restrictions

The Investment Advisor will monitor and manage the overall risk profile of the Fund. The Investment Advisor will limit exposure based upon several criteria, including *but not limited to* the following restrictions, providing that the Fund will:

1. have a maximum gross exposure limit of 250%;
2. have a maximum net exposure limit of 150%;
3. not have investments in commodities if the intention is to take physical delivery of the commodity

The Investment Advisor may from time to time establish restrictions with respect to the investments of the Fund, including, without limitation, restrictions as to the proportion of the assets of the Fund which may be invested in the securities of issuers operating in any industry sector or in any class of investment.

Inherent Risks

An investment in the Fund should be viewed as a speculative investment. The Fund is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their fund account, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance the Fund will achieve its investment objectives. All potential investors in the Fund should understand the investment approaches and techniques that the Manager expects to use in the management of the Funds and the particular risks associated with those approaches and techniques. See “Risk Factors” for more information on the risks specific to the Fund.

Statutory Caution

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

RISK FACTORS

An investment in the Fund involves significant risks. An investment in the Fund is not intended as a complete investment program. There is a risk that an investment in the Fund will be lost entirely or in part. Prospective investors should consider, among others, the following risk factors before investing. The following list of risk factors does not purport to be a complete explanation of all the risks that may arise as a result of investing in the Fund. Prospective investors should read the entire Offering Memorandum and consult with independent, qualified sources of investment and tax advice before determining whether to invest in the Fund.

Business Risks

While the Manager believes that the Fund's investment policies will be successful over the long-term, there can be no guarantee against losses resulting from an investment in units of the Fund and there can be no assurance that the Fund's investment approach will be successful or that its investment objective will be attained. A Fund may realize substantial losses, rather than gains, from some or all of the investments described herein.

Selection of Securities and Active Investment Management

The ability of the Fund to meet its fundamental investment objectives depends on the ability of the Investment Advisor to select securities and generally add value through active investment management. Although the Investment Advisor use sophisticated investment strategies to assist it in making various investment decisions, there is no guarantee that the Fund will perform as planned. All investments in securities and other financial instruments risk the loss of invested capital. As a result, there is a risk that an investment in the Fund will be lost entirely or in part.

Reliance on Key Personnel

The success of the Fund depends upon the successful implementation of its investment objectives, strategies and risk management by the Investment Advisor. The death, disability or withdrawal of any other senior employee, or operational or financial difficulties of the Manager or the Investment Advisor could adversely affect the Fund.

Risk of Short Sales

The Fund makes short sales of securities to create the short portfolios of the Fund. Short sales entail certain risks, including the risk that a short sale of a security may expose the Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by the Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by the Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover,

the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy.

There is also no guarantee that the securities sold short can be repurchased by the Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of the Fund, the Investment Advisor may be required to buy or sell short securities at unattractive prices.

Leveraged Investment Risk

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

Risk of Market Exposure

The Fund will generally be exposed to short, medium and long-term market exposure.

Risk of Net Exposure to Other Systematic Risk Factors

The Fund is generally exposed to other systematic risks and risk factors. For example, the Investment Advisor often chooses securities for the long portfolio of the Fund that it believes are undervalued and chooses securities for the short portfolio that it believes are overvalued. This approach will intentionally expose the Fund to systematic risk factors that are related to stock valuations, although this approach may also inadvertently expose the Fund to other systematic risk factors. Exposure to these other systematic risk factors, whether intentional or unintentional, creates risk of loss for the Fund should those exposures result in negative returns.

Restriction or Suspension of Redemption Rights

The Manager may restrict redemptions of units of the Fund in the event that the Manager receives redemption orders for fifteen percent (15%) or more of the outstanding units of the Fund for a particular Valuation Date and the Manager is of the opinion that such redemptions would significantly and adversely affect the interests of the remaining unitholders of the Fund. The Manager also has the right to cause redemptions of units of the Fund to be suspended for the whole or a part of a period during which normal trading is suspended on any stock exchange, options exchange or futures exchange on which securities or derivatives representing more than 50% by value or underlying market exposure of the total assets of the Fund are traded. As a result, there can be no assurance that a unitholder of the Fund will be able to redeem their units of the Fund on a particular date.

Performance Fee to the Manager

The Manager receives a Performance Fee from each Fund class based upon the appreciation, if any, in the net assets of the Units. However, the Performance Fee theoretically may create an incentive for the Manager and/or Investment Advisor to make investments that are riskier or more speculative than would be the case if such fee did not exist. In addition, because the Performance Fee is calculated on a basis that includes unrealized appreciation of the Fund's assets, it may be greater than if such compensation were based solely on realized gains.

Tax-Related Risks

There may be disagreements with the CRA concerning the characterization for tax purposes of particular revenues earned by, or particular expenses or fees incurred by, the Fund or the nature of gains or losses in respect of the Fund's securities transactions. The characterization of such amounts for tax purposes may not be clear having regard to existing tax jurisprudence and administrative positions of the CRA. The characterization of such amounts is relevant for a number of purposes, including determining the composition for tax purposes of amounts distributed to unitholders of the Fund. See "Canadian Federal Income Tax Considerations - Taxation of the Fund".

Company Risk and Stock Market Risk

If there is negative news about a company in which the Fund invests, its shares may lose value, causing the value of the investment to change. Similarly, the value of an investment in a particular company may change if that company's shares fall with the rest of the stock market. If the Fund has a long position in these securities, such loss in the securities will decrease the value of the Fund. Conversely, positive news about a company or a general rise in the value of the equity markets may cause the value of the company's stock to increase; if the Fund has a short position in these securities, such a gain in the securities will decrease the value of the Fund.

Foreign Investment Risk

The Fund is subject to the following risks in respect of their non-North American investments:

- the Fund may be affected by economic conditions in a particular foreign country;
- there may be less information available about foreign companies and governments than in North America, and many of these companies and governments do not have the same accounting, auditing and reporting standards that apply in North America;
- some foreign stock markets have less trading volume than North American markets, making it more difficult to buy or sell investments;
- trading large orders in foreign countries may cause the price of a security to fluctuate more than it would in North America;
- financial data and statistical information relating to foreign companies may be less reliable than it would be in North America;

- a country may impose withholding or other taxes that could reduce the return on the investment or it may have foreign investment or exchange laws that make it difficult to sell an investment; and
- there may be political or social instability in the countries in which the Fund invests.

Foreign Currency Risk

To the extent that the Fund invests in a foreign currency and buys investments with foreign currency, changes in the value of the Canadian dollar compared to the value of these foreign currencies may affect the Net Asset Value of the Fund. Since the Fund is valued in Canadian dollars, the Canadian dollar Net Asset Value per unit of a class of the Fund will be subject to changes in the value of the Canadian dollar compared to the value of the U.S. dollar to varying degrees depending upon the relative exposure of the Fund's investments to U.S. dollar denominated assets.

General Economic and Market Conditions

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

Risks of Using Derivatives

There is no guarantee that the use of derivatives by the Fund will be effective. The following are some of the most common risks of using derivatives:

- the use of a derivative may not always produce the same result as it has in the past;
- depending on market conditions or other factors, the Fund may not be able to buy or sell a derivative to make a profit or limit a loss;
- derivatives do not prevent changes in the market value of an investment in the Fund and may not prevent losses if the market value of the investment falls;
- derivatives may prevent the Fund from making a gain if there is an unexpected change in the stock markets, interest rates or currency exchange rates;
- derivatives traded on foreign markets may have greater credit risk than similar derivatives traded on North American markets;
- there is no guarantee that the other party to a contract will meet its obligations;
- if the other party to a contract or the dealer goes bankrupt, the Fund may lose any deposit it made under the contract; and
- the Fund may not be able to purchase derivatives if other investors are expecting the same change, such as changes in market prices, interest rates or currency exchange rates.

Liquidity of Investments

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

Counterparty Risk

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

Multi-Class Risk

The Fund has issued more than one class of units and in the future may issue additional classes of units. Notwithstanding the fact that the Fund may issue more than one class of units, the Fund may be treated as one entity. Thus, all the assets of the Fund may be available to meet all of the liabilities of each class of units of the Fund. As a result, the investment performance, expenses or liabilities of one class of units of the Fund may affect the value of another class of units of the Fund. In practice cross class liability will usually only arise if a class of units of the Fund becomes insolvent or exhausts its assets and is unable to meet all of its liabilities. In this case, all of the assets of the Fund attributable to the other classes of units of the Fund may be applied to cover the liabilities of the insolvent class of units of the Fund.

Unitholder Liability

The General Trust Agreement provides that no unitholder of the Fund shall be subject to any liability whatsoever, in contract or otherwise, to any person in connection with the Fund or the obligations or the affairs of the Fund and all such persons shall look solely to the Fund for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund shall be subject to levy or execution. Notwithstanding this statement, because of uncertainties in the law relating to investment trusts, there is a risk that a unitholder of the Fund could be held personally liable for obligations of the Fund to the extent that liabilities of the Fund are not satisfied out of the assets of the Fund. For example, short sales have theoretically unlimited losses since, in theory, a stock's price has no upper limit.

It is intended that the Fund's operations be conducted in such a way as to minimize any such risk. In particular, the Manager will, where feasible, use its best efforts to cause written contracts

or commitments of the Fund to contain an express disavowal of liability of the unitholders of the Fund. Unitholders of the Fund are cautioned, however, that due to the operation of the securities markets in which the Fund carries on its primary activities, it may not be practicable to disavow, and thereby limit, the liability of unitholders of the Fund. Nevertheless, the Manager and the Investment Advisor consider the risk of any personal liability of unitholders of the Fund to be minimal in view of the anticipated equity of the Fund and the nature of the Fund's respective investment activities. In the unlikely event that a unitholder of the Fund is required to satisfy any obligation of the Fund, a unitholder of the Fund is entitled to reimbursement from any available assets of the Fund.

Conflicts of Interest

A Fund may be subject to various conflicts of interest due to the fact that the Manager, Investment Advisor is engaged in a wide variety of management, advisory and other business activities. The Investment Advisor's investment decisions for the Fund are made independently of those made for its own investments. However, the Investment Advisor may make the same investment for the Fund and one or more of its other clients. Where the Fund and one or more of the other clients of the Investment Advisor is engaged in the purchase or sale of the same security, the transaction will be effected on an equitable basis. The Investment Advisor will allocate opportunities to make and dispose of investments equitably among its clients with similar investment objectives having regard to whether the security is currently held in any of the investment portfolios of any of its clients, the relative size and rate of growth of each client's account, recent cash-flows into and out of each client's account and such other factors as the Investment Advisor considers relevant in the circumstances.

The Manager and Investment Advisor each have complete discretion regarding the selection of those registered broker-dealers and other financial intermediaries with and through which the Fund executes and clears its portfolio transactions, the commission and fees payable to the registered broker-dealer or other financial intermediary and the prices at which the Fund buys and/or sells its investments. The Manager and the Investment Advisor will each allocate portfolio transaction business of the Fund on the basis of best available execution. Certain registered broker-dealers and financial intermediaries that the Manager and Investment Advisor use, may also provide certain other products and/or services to the Fund, the Manager, the Investment Advisor and/or affiliated persons, including, but not limited to, investment research, data and software. See also "Potential Conflicts of Interest".

Lack of Independent Experts Representing Investors and Common Counsel

The Fund has consulted with counsel, accountants and other experts regarding the formation of the Fund. Each prospective investor should consult his own legal, tax and financial advisors regarding the desirability of an investment in the Fund. Prospective investors were not represented in the organization of the Fund or the negotiation of their contractual arrangements. Consequently, agreements between the Manager, Investment Advisor and the Fund, including the agreement to pay Performance Fees, have not been negotiated at arm's length, and as a result the arrangements between the Manager, the Investment Advisor and the Fund may not be as favourable to the Fund as they would have been if the Fund had retained independent counsel.

Role of the Manager and Investment Advisor

Pursuant to the Management Agreement, the Manager has delegated certain of its duties and discretions to the Investment Advisor to make the investment decisions on behalf of the Fund. Any such decisions will over time have a significant effect on the performance of the Fund. Investors in the Fund must rely on the ability of the Investment Advisor to make the investment decisions for the Fund. There are no substantial limitations on the ability of the Manager and/or the Investment Advisor to set and implement the investment strategy of the Fund. Unitholders of the Fund do not participate in the making of any investment decisions of the Fund and do not have the opportunity to evaluate personally the relevant economic, financial and other information and investment models and processes used by the Investment Advisor in making investment decisions for the Fund. Accordingly, an investor should not buy units of the Fund unless the investor is prepared to entrust all aspects of the management of the investments of the Fund to the Manager and/or the Investment Advisor.

Effect of Redemptions and Termination

A significant redemption of units of the Fund by a unitholder of the Fund may cause a temporary imbalance in the Fund's portfolios that may adversely affect the remaining unitholders of the Fund. In addition, the Fund may be wound up at any time. In the event of termination, the Fund will distribute to each class of its unitholders their *pro rata* interest in the assets of that class of the Fund held by such unitholders. A significant redemption of units of the Fund or the termination of the Fund may also create adverse tax and/or economic consequences to unitholders of the Fund depending on the timing of such redemption or termination.

Net Asset Value

The Net Asset Value of the Fund will fluctuate with changes in the market value of the investments held by the Fund. Such changes in market value may occur as a result of various factors, including those factors identified below with respect to international investments and material changes in the intrinsic value of an investment held by the Fund.

Potential Lack of Diversification

The Fund does not have any specific limits on holdings in securities of issuers in any one country, region, industry or issuer. Although the Fund's portfolio will generally have some diversification, this may not be the case at all times if the Investment Advisor deems it advantageous for the Fund to be less diversified. Accordingly, the investment portfolio of the Fund may be more susceptible to fluctuations in value resulting from adverse economic and other conditions affecting a particular investment.

Small Company Risk

The Fund may invest in securities of small companies. Small companies tend to be more volatile than more established companies as they may have a smaller market share, their products may be in developmental phase or they may have limited financial resources. The number of their shares

trading in the market may also be limited, resulting in reduced liquidity and the potential for increased volatility in share price.

Illiquidity of Units

Units are generally neither transferable nor assignable. Units are being offered on a private placement basis, and even if they are transferable will be subject to resale restrictions under applicable Canadian securities laws. Units are redeemable, however these redemption rights may be suspended in certain circumstances and delayed in others. Consequently, investors may be unable to liquidate their Units, and are therefore cautioned that an investment in Units will not be suitable for investors with a short time horizon. Furthermore, this lack of liquidity, plus the fact that Unit certificates will not be issued, means that Units generally cannot be used by a Unitholder as collateral for any loan the Unitholder may have, whether undertaken in order to purchase Units or otherwise.

Low Rated or Unrated Debt Obligations

The Fund may from time to time hold instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated. These securities involve significant risk exposure as there is uncertainty regarding the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

Interest Rate Fluctuations

In the case of interest rate sensitive securities, the value of a security may change as the general level of interest rates fluctuates. When interest rates decline, the value of such securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline. Increases in interest rates will also increase the Fund's cost of borrowing.

Investment Eligibility

There can be no assurance that Units will be or continue to be qualified investments for Tax Deferred Plans or TFSAs under the Tax Act. The Tax Act imposes penalties on such plans for the acquisition or holding of non-qualified investments.

Broad Authority of the Manager, Investment Advisor and Key Personnel

The Declaration of Trust, Management Agreement and Investment Advisory Agreement give the Manager and Investment Advisor broad discretion over the conduct of the Fund's business, selection of the Fund's investments and over the types of transactions in which the Fund engages. Therefore, the Fund will be dependent upon the business expertise and judgment of the Manager, the Investment Advisor and their key personnel. The loss of any of the individuals active in the Manager or the Investment Advisor could have a material adverse effect on the Fund. The Manager is relying upon the services of the Investment Advisor and its portfolio manager – Jerome Hass – to fulfil its obligations as the Fund's Investment Advisor. Should Mr.

Hass become incapable of providing portfolio management services to the Fund for any reason, the Fund would seek to provide a replacement, but if it was unable to do so it would need to take steps to terminate the Fund.

Financial Resources of the Manager and Investment Advisor

To a certain extent, the economic success of the Fund is dependent upon the continuing financial well-being of the Manager and the Investment Advisor. The Manager and the Investment Advisor may have financial obligations to other funds, corporations and other business entities in the future.

MANAGEMENT OF THE FUND

The Manager

Lightwater Partners Ltd. whose registered office is located at 372 Bay Street, Suite 1700, Toronto, Ontario M5H 2W9, is the Manager of the Fund. The Manager is responsible for approving and monitoring the Fund's various service providers, including the Investment Advisor, in accordance with the terms of the Declaration of Trust. The Manager may act as Manager of other Funds. The Manager may also become a Unitholder by purchasing Units of one or more classes.

Investment Advisor

The Fund has engaged Lightwater Partners Ltd. (the "**Investment Advisor**") to direct the day-to-day business, operations and affairs of the Fund, including management of the Fund's portfolio on a discretionary basis and distribution of the Units of the Fund. The Investment Advisor may delegate certain of these duties from time to time with the consent of the Manager. The Investment Manager is incorporated under the Business Corporations Act (Ontario) and its principal place of business is 372 Bay Street, Suite 1700, Toronto, Ontario M5H 2W9. The Investment Manager is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer in Ontario. The Investment Advisor also acts as the Trustee of the Fund.

Set out below are the particulars of the relevant experience of each director and officer of the Investment Advisor.

Name and Municipality of Residence	Position with Investment Advisor
Jerome Hass Toronto, Ontario	Director, Advising Representative, Chief Compliance Officer, Ultimate Designated Person, Chief Investment Officer and Dealing Representative
Jimmy Chu Toronto, Ontario	Director, Advising Representative, Chief Compliance Officer, Chief Operating Officer, and Dealing Representative

Jerome Hass

Jerome Hass is a director and Advising Representative (“AR”), Ultimate Designated Person (“UDP”), and Chief Investment Officer (“CIO”) of the Investment Advisor. He is also registered as a dealing representative for the EMD related activities of the Investment Advisor. The Investment Advisor was founded in 2007 and specializes in advising and managing alternative investments. Jerome has over 16 years’ experience in the financial industry. He joined Lightwater Partners Ltd. as a Partner from Epic Capital Management in Toronto, one of Canada’s most prominent hedge funds. Previously, a Portfolio Manager at Montrusco Bolton Investments in Montreal, Mr. Hass also worked as a Portfolio Manager in London, England for Canada Life Assurance Company. He started on the buy-side at Scottish Amicable Investment Managers in Scotland. Mr. Hass also worked as a sell-side Analyst with HSBC Investment Bank in Singapore and Malaysia. He began his career in Toronto as an Economist with the Ontario Government at the Ministry of Finance. He holds a Bachelor degree in Economics from the University of Western Ontario, a Master of Arts in Applied Economics from the University of Victoria as well as a Master of Science degree in Economics from the London School of Economics. He obtained a Chartered Financial Analyst (“CFA”) designation in 1998.

Jimmy Chu

Jimmy Chu is a director and Advising Representative (“AR”), the Chief Compliance Officer (“CCO”) and Chief Operating Officer (“COO”) of the Investment Advisor and is responsible for management of the finance, technology and operational functions of the Investment Advisor. He is also registered as a dealing representative under the Investment Advisor’s EMD registration. He has completed the Officers’, Partners’, and Directors’ Course with the IFSE Institute. Mr. Chu has over fifteen years of experience in the financial industry. Previously, he worked at a research and consulting company covering various facets of the Canadian financial services industry including hedge funds and investment funds. Mr. Chu graduated from the University of Toronto with a Bachelor of Commerce degree and holds the Chartered Financial Analyst (“CFA”) designation.

The Management Agreement

The Fund is managed by the Manager pursuant to the Management Agreement. The Management Agreement may be terminated by the Trustee in writing and such termination shall take effect on the date specified. The Manager may resign on 90 days’ notice to the Trustee and the Unitholders or upon the occurrence of certain events. If the Manager becomes insolvent or bankrupt, goes into liquidation or makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency, the Manager shall be deemed to have given written notice of its resignation 90 days prior to such act of insolvency. In the event that the Manager resigns, the Trustee may, but is not required to, appoint and designate a successor manager. If no new manager is appointed, the Fund will be terminated. The Management Agreement, unless terminated as described above, will continue in effect until the termination of the Fund.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent and qualified manager would exercise in comparable circumstances.

The Trustee or the Manager may terminate the Management Agreement for any material breach of the provisions by the other party, including with respect to the Manager ceasing to be registered pursuant to applicable securities legislation, if such breach has not been remedied within 30 days after written notice by the non-breaching party.

The services of the Manager under the Management Agreement are not exclusive. The Manager or any of its affiliates may from time to time provide similar services to other investment funds and other clients (whether their investment objectives and policies are similar to those of the Fund). See “Risk Factors – Conflicts of Interest” and “Risk Factors – Broad Authority of the Manager”.

The Trustee

Lightwater Partners Ltd. will act as the Trustee of the Fund pursuant to the provisions of the Declaration of Trust, as amended.

The Trustee may delegate, with the consent of the Manager, the powers and responsibilities vested in the Trustee under the Declaration of Trust. The Trustee may resign by an instrument in writing to Unitholders and the Manager and such resignation shall be effective 90 days following the day such notices are delivered or mailed. The Manager may also resign upon the occurrence of certain events. Upon the Trustee ceasing to be the trustee of the Fund, the Manager shall appoint and designate a successor trustee. If a successor trustee has not been appointed within 45 days following the giving of notice by the Trustee of its resignation (or within 45 days following the Trustee’s bankruptcy or other incapacity to exercise the duties of the office of a trustee), then Unitholders shall appoint and designate a successor trustee within a further period of 45 days, failing which the Fund shall be deemed to have been terminated.

The Declaration of Trust provides that the Trustee has a right of indemnification in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or reckless disregard of duty, or in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Declaration of Trust contains provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

FEES AND EXPENSES

Management Fee

The Investment Manager will receive a monthly management fee (the “**Management Fee**”) in arrears, on the last Valuation Date in each month, equal to 1/12 of 2% for Class A, Class I and Class P Units and equal to 1/12 of 1.0% for Class F Units, on the respective Net Asset Value of such Class of the Fund as at the first business day of such month.

Management fees payable by the Fund are subject to GST/HST and will be deducted as an expense of the Fund in the calculation of the Net Asset Value of the Fund.

The table below sets out the Management Fee applicable to each class:

Class	Management Fee
A	2.00%
F	1.00%
I	2.00%
P	2.00%

Performance Fee

The Manager is entitled to receive an incentive fee (the “**Performance Fee**”) in respect of the Class A Units of the Fund, the Class F Units of the Fund, the Class P Units of the Fund, the Class I Units of the Fund, and the Class X Units of the Fund. The Performance Fee based on the increase in Adjusted Net Asset Value of the units above the “Hurdle”. To the extent that the Adjusted Net Asset Value per unit has increased more than the “Hurdle”, 20.00% of the excess return will be paid as performance fees, on such Valuation Date or Redemption date (if such amount is negative, or if the positive difference is less than the Hurdle Return calculated as at such date, the distribution in respect of such Unit shall be zero). The Performance Fee is calculated on each of the Class A Units, Class F Units, Class P Units, Class I Units, and the Class X Units and charged to the respective Class on each Valuation Date. The Performance Fee will be subject to applicable taxes and paid semi-annually.

“**Adjusted Net Asset Value**” of a Unit on any date is equal to the Net Asset Value per Unit of such Unit on such date (calculated after deduction of the Management Fee and general expenses but before deduction of the Performance Fee and any redemption deductions payable in respect of such Unit) plus the amount of any distributions paid to the Unitholder in respect of such Unit since the date as at which the High Water Mark of such Unit was established.

“**High Water Mark**” for a Unit as at any date means, initially, its subscription price, and thereafter will be adjusted from time to time to equal its Net Asset Value immediately following the payment of a Performance Fee in respect of that Unit. The High Water Mark of a Unit will be appropriately adjusted in the event of a consolidation, subdivision or re-designation of Units.

“**Hurdle Return**” for a Unit is the amount equal to the High Water Mark of such Unit multiplied by the Hurdle Rate (“the Benchmark”) calculated based on the number of months from the date on which the “High Water Mark” re-set up to and including the date on which the Hurdle Return is calculated.

“**Benchmark**” for the calculation of the Performance Fee for the Class A Units, the Class F Units, the Class P Units, and the Class X Units of the Fund is a zero percent (0%) return. The Benchmark used in the calculation of the Performance Fee for the Class I Units of the Fund is set every six months in advance and is based on the Canadian 10 year Treasury yield as published by Thompson Reuters. The monthly Benchmark for the Class I Units will be 1/12th of the set

annual Canadian 10 year Treasury yield as published by Thompson Reuters set every six (6) months in advance.

Any losses in the value of the Class A Units, the Class F Units, the Class P Units, the Class I Units, and Class X Units of the Fund relative to the Benchmark of the Fund from a level at which a Performance Fee was last calculated and accrued must be recouped before any further Performance Fee is accrued by such Units (in all cases adjusted to include distributions and cash flows). In particular, if the performance of such Units is less than the performance of the Benchmark of the Fund since the last Valuation Date, creating a return deficiency (a “Return Deficiency”), then no Performance Fee is payable or shall be accrued by such Units for the current Valuation Date or for any subsequent Valuation Date until the performance of such Units on a cumulative compounded basis calculated from the first of such subsequent Valuation Dates, exceeds the amount of the cumulative compounded Return Deficiency (the “Cumulative Return Deficiency”). The Cumulative Return Deficiency refers to the Return Deficiency for the current Valuation Date plus the compounded amount of the Return Deficiency from each previous Valuation Date that has not been eliminated.

Performance fee is calculated at the investor account level and charged to the respective class to which the account belongs to.

Administration Fees and Expenses of the Fund

In addition to the Management Fee and the Performance Fee (plus GST/HST, as applicable), the Fund will incur and pay out of the Fund’s assets: (i) any charges or expenses which, in the sole opinion of the Manager, are necessary or incidental to the Fund’s operation, (ii) compensation to persons with whom the Fund has contracted or transacted business or for special services provided to the Fund including, without limitation, services as a broker, transfer agent, registrar, or custodian or for legal, accounting or other professional services, as the Manager acting in good faith deems reasonable, and (iii) any and all present and future levies, duties, sales, withholdings and any tax of whatsoever nature or kind of any jurisdiction together with any and all interest charges and penalties and other payments of any nature or kind relating thereto, that is necessary, proper or desirable to be paid in order to advance the interests of the Fund. The Manager has the right, in its sole discretion, to pay some or all of the Fund’s ongoing expenses out of its Management Fee and/or the Performance Fee. The fees payable to the Investment Advisor will be paid by the Manager to the Investment Advisor out of the Manager’s Management Fee and/or Performance Fee. The Trustee has agreed to waive any fees associated with its role as Trustee.

Soft Dollar Arrangements

Soft dollar arrangements occur when brokers have agreed to provide permitted services (relating to research and trade execution) at no cost to the Manager in consideration for the Manager directing the brokerage business of the Fund to such brokers. Although the brokers involved in soft dollar arrangements may not necessarily charge the lowest brokerage commissions, the Manager may nonetheless enter into such arrangements when it is of the view that such brokers

provide best execution and/or the value of the research and other services exceeds any incremental commission costs.

The Manager may enter into soft dollar arrangements in accordance with industry standards when it is of the view that such arrangements are for the benefit of its clients, including the Fund, however not all soft dollar arrangements will benefit all clients at all times. The Manager will make a good faith determination in allocating the benefits of any soft dollar arrangements between its clients.

UNITS OF THE FUND

The beneficial interest in the Fund is represented by units (the “**Units**”). The Fund may issue an unlimited number of Units in any number of classes. The Trustee will determine the opening Net Asset Value of each class of Units. The Fund may issue fractions of a Unit. The Manager may consolidate, subdivide or designate by name the Units from time to time in such manner as the Trustee considers appropriate.

The Lightwater Long Short Fund is an existing fund with its own operating history. The existing High Water Mark for each class of the Fund as of 31 March 2014 shall be used as the initial High Water Mark for each class; and thereafter shall be adjusted from time to time to equal its Net Asset Value immediately following the payment of a performance fee distribution to the Manager in respect of such Unit (as further adjusted following a consolidation or subdivision of Units).

Classes of Units

Units of the Fund are currently issued in the following classes:

Class A: will be issued to qualified purchasers who purchase units through eligible Registered Dealers;

Class F: will be issued to (i) purchasers who participate in fee-based programs through eligible Registered Dealers; and (ii) qualified individual purchasers in the Manager’s sole discretion.

Class I: will be issued to qualified purchasers

Class P: will be issued to qualified purchasers.

Reclassification of Units

Subject to any criteria established by the Manager, Unitholders may request that the Manager reclassify their units of one class into units of another class.

Voting Rights

Each Unit carries with it a right to vote, with one vote for each whole Unit.

The rights of Unitholders are contained in the Declaration of Trust. The provisions or rights attaching to the Units and the other terms of the Declaration of Trust applicable to the Fund may be modified, amended or varied but only for the purposes and in the manner described in the Declaration of Trust.

Book-Based Registration

The Fund maintains a book-based system of Unit registration and, accordingly, does not issue certificates.

INVESTING IN THE FUND

Units are offered on a continuous basis to investors resident in all provinces and territories of Canada pursuant to exemptions from the prospectus requirements of applicable securities legislation.

Investors

Any investor acceptable to the Manager or its Advisor may subscribe for and purchase Units. There is no minimum or maximum number of Units offered or minimum or maximum proceeds from the sale of Units.

Purchase of Units

Investors who wish to subscribe for Units must complete, execute and deliver a duly completed Subscription Agreement to the Manager.

The Manager or its Advisor reserves the right to accept or reject any subscription order in whole or in part, provided that any decision to reject a subscription order must be made within two Business Days of receipt of the subscription order by the Manager. In the case of rejection, any monies received with the subscription order will be immediately refunded or in any event within two days of receipt, without interest.

Purchase Price

Investors may purchase Units of the Fund offered pursuant to this Offering Memorandum through the Manager on a monthly basis on a Valuation Date at a purchase price equal to the applicable Net Asset Value per Unit. Investors who wish to subscribe for Units of the Fund must complete, execute and deliver the Subscription Agreement to the Manager, together with a cheque or bank draft in an amount equal to the purchase price. The purchase price of a Unit is an

amount equal to its Net Asset Value per Unit. The Net Asset Value per Unit for subscription orders which are received and accepted by the Manager prior to 4:00 p.m. (Eastern time), or such earlier time as the Toronto Stock Exchange may close, on a Valuation Date will be calculated as of that Valuation Date. The Net Asset Value per Unit for subscription orders received and accepted after 4:00 p.m. (Eastern time), or such earlier time as the Toronto Stock Exchange may close, on a Valuation Date will be calculated on the next Valuation Date. See “Portfolio Valuation and Net Asset Value”.

Initial Minimum Investment

In the event applicable securities legislation, regulations or rules change in the future such that one or more of the exemptions described below are no longer available, the Fund will cease offering Units pursuant to such exemptions, but may continue offering Units to investors pursuant to other exemptions which are or remain available.

The net amount (after deduction of any commissions) of each initial investment by an investor must be: (a) if the investor qualifies as an Accredited Investor under the Accredited Investor Exemption as defined in NI 45-106, not less than the amount specified by the Manager which is currently \$25,000; or (b) if the investor qualifies under the Minimum Amount Exemption as defined in NI 45-106, not less than one hundred and fifty thousand dollars (\$150,000).

The Manager reserves the right to change the minimum amounts for initial investments in the Fund.

Additional Investments

Each additional investment by an investor must be not less than the amount specified by the Manager which is currently \$1,000. The Manager reserves the right to change the minimum amounts for additional investments in the Fund as well as minimum balances to be held in the Fund.

Accredited Investors

An investor resident in any province or territory in Canada will qualify as an Accredited Investor if he or she satisfies certain criteria as defined in NI 45-106. Each investor should refer to the more detailed representations, warranties and certifications contained in the Subscription Agreement which accompanies this Confidential Offering Memorandum to determine whether he or she qualifies as an Accredited Investor.

Eligibility for Investment

The Fund qualifies as a quasi-mutual fund trust for purposes of the Income Tax Act (Canada) (the “Tax Act”) and is a qualified investment for registered retirement saving plans, registered retirement income funds, deferred profit saving plans, registered education savings plans, registered disability savings plans and tax-free savings accounts

Provided that the holder of a TFSA does not hold a “significant interest” (as defined in the Tax Act) in the Fund or any Person or partnership that does not deal at arm’s length with the Fund, and provided that such holder deals at arm’s length with the Fund, the Units will not be a prohibited investment for a trust governed by a TFSA.

DEALER COMPENSATION

No sales commission is payable to the Manager in respect of Units purchased directly by a subscriber. However, Registered Dealers may, at their discretion, charge subscribers a front-end sales commission of up to 5% of the Net Asset Value of the A Class Units purchased by the subscriber. Any such sales commission will be negotiated between the Registered Dealer and the purchaser and will be payable directly by the purchaser. All minimum subscription amounts described in this Offering Memorandum are net of such sales commissions.

The Manager may pay from its own account referral fees to Registered Dealers and others who have previously entered into a referral agreement with the Manager and who refer investors to the Fund. Any such referral arrangements will be made in accordance with applicable legislation.

Trailer Fee: Standard and Performance Based

The Manager pays a standard trailer fee to each Dealer with respect to Class A Units of the Fund that are held by the Dealer’s clients, to compensate that Dealer for the ongoing services it is providing to such clients. Trailer fees are calculated on Valuation Dates at the end of each calendar month at a rate of one percent (1.0%) per annum of the average Net Asset Value of the Class A Units of the Fund held by the clients of the Dealer during that calendar month. The standard trailer fee is accrued on a monthly basis and paid at the end of each calendar quarter. The Manager at its discretion may modify, discontinue, or otherwise differentiate this fee among Dealers at any time and from time to time.

In addition to the standard trailer fee, the Manager will also pay a performance-based trailer fee to a Dealer with respect to Class A Units of the Fund that are held by the Dealer’s clients. The performance-based trailer fee for the Fund will be 20.0% of the Performance Fee paid, if any, by the Class A Units of the Fund to the Manager during a six month calendar period (January 1 to 30 June or July 1 to 31 December). The performance-based trailer fee of the Fund will be allocated among Dealers at the end of each semi-annual period based upon the average Net Asset Value of the Class A Units of the Fund held by the clients of each Dealer during the semi-annual period. The Manager at its discretion may modify, discontinue, or otherwise differentiate this fee among Dealers at any time and from time to time.

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

The Manager does not pay a trailer fee to Dealers in respect of Class F Units, Class I Units or Class P Units of the Fund. The Manager does not pay a performance-based trailer fee to Dealers in respect of Class F Units, Class I Units or Class P Units of the Fund.

DISTRIBUTIONS

The Fund may distribute annually, or at such other times as determined by the Manager to holders of Units of the Fund (the “**Unitholders**”) sufficient income and capital gains (net of applicable losses) for each taxation year of the Fund, so that the Fund would not have any liability for Canadian federal income tax under Part I of the Tax Act. Any net income and net realized capital gains of the Fund for a taxation year not previously distributed will be distributed on or before December 31 in each year to the unitholders of record of the Fund on such date. Distributions paid on Units may be (i) reinvested in additional Units of the same class at the applicable Net Asset Value or may be (ii) payable in cash at the discretion of the Manager.

Also, when a Unitholder redeems all or any of their Units of the Fund, there may be a special distribution of net realized capital gains of the Fund in cash out of the redemption proceeds otherwise payable to such Unitholder to the time immediately prior to redemption, as determined by the Manager. The Manager has the sole discretion to determine the amount, if any, of the Fund’s net realized capital gains for its taxation year and the sole discretion to allocate all or any portion of such net realized capital gains to a Unitholder who has redeemed Units of the Fund at any time in that year, provided that the amount of net realized capital gains allocated to a particular redeeming Unitholder shall not exceed the amount, if any, by which the amount payable on the redemption of the Units exceeds the adjusted cost base of the Units being redeemed. The balance of the amount paid to such Unitholder at the time of redemption shall be paid as proceeds of redemption.

The Trustee may make a special distribution that will be automatically reinvested in additional Units on the Valuation Date on the date of or immediately following the distribution at the applicable Net Asset Value per Unit. Once the distribution reinvestment is completed, there will be a consolidation of Units such that each Unitholder (other than a non-resident in respect of whose share of the distribution tax was withheld) has the same number of Units that they held immediately prior and the Net Asset Value per Unit will be adjusted accordingly so that the aggregate Net Asset Value of the affected Units remains the same as prior to the distribution.

PORTFOLIO VALUATION AND NET ASSET VALUE

The Net Asset Value of the Fund is determined by the Recordkeeper as of the close of regular trading on the Toronto Stock Exchange (the “**TSX**”), normally 4:00 p.m. (Eastern time) on each Valuation Date. A Valuation Date for the Fund is the last day of each month on which the TSX is open for business or such other days as the Manager may determine.

The Net Asset Value of the Fund will be reported in Canadian dollars and may also be reported in such other currencies, including U.S. currency, as the Manager may from time to time determine based on the rates of exchange applied by the Manager or the Recordkeeper from sources in common use for such purposes. The Net Asset Value of the Fund may not be calculated if the Manager has suspended redemptions of units of the Fund.

The Net Asset Value of the Fund on a Valuation Date is equal to the fair market value of the assets of the Fund on such date less its liabilities on such date. A separate net asset value for each class of units of the Fund is calculated on a Valuation Date by subtracting the liabilities related to that class of units of the Fund on such date, from the proportionate value of the assets of the Fund assigned to that class of units of the Fund on such date.

The Net Asset Value per unit of a class of the Fund on a Valuation Date is obtained by dividing the Net Asset Value of that class of units of the Fund on such date by the total number of units of that class of the Fund outstanding at the close of business on such date.

The Net Asset Value of the Fund will be determined on a Valuation Date by subtracting the aggregate amount of the Fund's liabilities from the aggregate amount of the Fund's assets, where the Fund's assets and liabilities are valued on the following basis:

- (a) the value of any cash on hand, on deposit or on call, bills, demand notes, accounts receivable, accounts payable, prepaid expenses, cash dividends declared and interest accrued and not yet received or paid, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (b) the value of any bonds, debentures, and other debt obligations (long or short) shall be determined as the average of the bid and ask prices on that day. Short-term instruments (long or short), including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of each security (long or short) which is listed or traded on a stock exchange will be determined by the closing sale price on the exchange on that day. If there was no sale of that security on the exchange on that day, the market value of such security will be the average between the closing bid and ask prices of the security as reported on the exchange on that date. If there have not been any bid and ask prices for that security on that day, then the value of such security will be calculated by the closing price or the average between the closing bid and ask prices for that security on the last preceding date when a closing price or bid and ask price were available. If the security is listed or traded on more than one exchange, its value will be determined by reference to the prices on the principal exchange where the security is listed or traded as determined by the Manager. The Manager may permit OTC (being a marketplace other than an exchange where securities are normally purchased and sold and quotations are in common use in respect thereof), rather than stock exchange quotations, to be used when they appear to reflect accurately the value of a particular security;

- (d) the value of any security (long or short) which is not listed or traded on an exchange, but which is listed or traded on another market, including an OTC market, will be determined in the same manner as in (c) above by reference to prices on that market;
- (e) units of another fund (long or short) will be valued at the most current net asset value per unit/share of the other fund, which may be calculated at the same time as the Net Asset Value per unit of a class of the Fund which invested in the other fund is being calculated;
- (f) dividends declared but not yet received in the case of a long position or paid in the case of a short position, or rights, in respect of securities which are quoted ex-dividend or ex-rights, shall be included at the value thereof as determined by or pursuant to the direction of the Manager;
- (g) long or short positions in clearing corporation options, options on futures, OTC options, debt-like securities and listed warrants will be valued at their current market value. Where a covered clearing corporation option, option on futures or OTC option is written, the premium received by the Fund will be reflected as a deferred credit which will be valued at an amount equal to the current value of the clearing corporation option, option on futures or OTC option that would have the effect of closing the position. Any difference resulting from revaluation will be treated as an unrealized gain or loss on investment. The deferred credit will be deducted in arriving at the value of the assets of the Fund. Any securities which are the subject of a written clearing corporation option or OTC option will be valued at their current value;
- (h) swap agreements, forward contracts and future contracts will be valued at the gain or loss that would be realized if the position in the swap agreement, futures contract or forward contract were to be closed out, unless in the case of futures contracts, “daily limits” are in effect, in which case value shall be based on the current value of the underlying interest. Margin paid or deposited in respect of future contracts and forward contracts will be reflected as an account receivable, and margin consisting of assets other than cash will be noted as held as margin;
- (i) if the sale of a class of units of the Fund is at any time discontinued, the Manager may at its discretion deduct from the value of the assets listed above an amount equal to the brokerage commissions, transfer taxes and charges, if any, which would be payable on the sale of such assets if they were then being sold;
- (j) the value of securities (long or short) denominated or priced in foreign currency and all liabilities and obligations of the Fund payable in foreign currency will be converted into the equivalent value in Canadian currency at the applicable currency exchange rate obtained from the best available source as approved by the Manager;
- (k) the value of any security or property (long or short) to which, in the opinion of the Manager, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in such manner as the Manager from time to time provides; and

- (l) all other assets and liabilities of the Fund of whatsoever kind and nature shall be included at the value thereof as determined by or pursuant to the direction of the Manager.

For the purposes of determining the net asset value of a class of units of the Fund, the assets and liabilities of that class of units of the Fund shall be calculated on an accrual basis and shall include:

- a) all accounts receivable and accounts payable attributable to that class of units of the Fund;
- b) all expenses incurred or payable by that class of units of the Fund (including, without limitation, Management Fees, Performance Fees, Recordkeeper fees and any other fees payable to the Manager, the Recordkeeper or the Investment Advisor) prior to considering any Fee Distributions of that class of units of the Fund;
- c) all contractual obligations for the payment of money or property, including the amount of any unpaid distributions declared upon that class of units of the Fund and payable to unitholders of record of that class of units of the Fund prior to the time as of which the net asset value of that class of units of the Fund is determined;
- d) all allowances authorized or approved by the Manager for taxes (if any) or contingencies; and
- e) all other assets or liabilities specifically attributable to that class of units of the Fund of whatsoever kind and nature valued as described above.

Subscriptions and/or redemption of units of a class of the Fund received prior to 4:00 p.m. (Eastern Time) on a Valuation Date will be processed at the Net Asset Value per unit of that class of the Fund on such Valuation Date. In calculating the Net Asset Value per unit of a class of the Fund on a Valuation Date, the subscription and/or redemption of units of that class of the Fund on such date will be reflected in the computation of the Net Asset Value per unit of that class of the Fund on the next Valuation Date. In addition, each portfolio transaction executed on behalf of the Fund will be reflected in the computation of the Net Asset Value per unit of that class of the Fund on the next Valuation Date after the date on which the portfolio transaction becomes binding, or as soon as possible after such transaction.

REDEMPTION OF UNITS

Unitholders may redeem Units on a Redemption Date. Redemption orders may be made directly to the Fund or through a Unitholder's Registered Dealer by a delivering to the Manager a duly completed Redemption Form attached this Confidential Offering Memorandum as Schedule "C" or such other request in a form acceptable to the Manager. Redemption orders must be received by the Manager prior to 4:00 p.m. (Eastern time) 30 days prior to the Redemption Date on which the Unitholder wishes to redeem the Units. Orders received after that time will be effective on

the next Redemption Date. The Manager may shorten such notice period on a case by case basis in its sole discretion.

Redemption orders must be in writing with the Unitholder's signature guaranteed by a Registered Dealer, Canadian chartered bank, trust company, a member of a stock exchange in Canada or otherwise guaranteed to the satisfaction of the Manager. If Units are registered in the name of an intermediary such as a Registered Dealer, clearing agency or its nominee, redemption orders must be made through such intermediary. Any request for redemption may not be revoked without the consent of the Manager.

Redemption Amount

An investment in Units is intended to be a long-term investment. However, Unitholders who have held Units for at least 6 months may request that such Units be redeemed at their Net Asset Value per Unit for the applicable Class less an amount which represents an estimate by the Manager of that Unitholder's proportionate share of the costs of disposition, including selling brokerage commissions and such other costs as may be specified in the Declaration of Trust, of the Fund's underlying assets necessary to honour such redemption ("**Redemption Value**") on any Valuation Date, provided the request for redemption is submitted at least 30 days prior to such Valuation Date.

Payment by the Fund for any Units redeemed shall be made to the holder of record, in Canadian currency or in kind, no later than 30 calendar days following the relevant Valuation Date as of which they are redeemed. A Unitholder shall not be entitled to any interest or income on or appreciation of redeemed Units after the Valuation Date as of which the Redemption Value is determined.

Short-Term Trading Deduction

In order to protect the interests of the majority of unitholders in the Fund and to discourage short-term trading in the Fund, an investor in units of a class of the Fund may be subject to a short-term trading deduction if the investor redeems their units of that class of the Fund within 180 days of such units being acquired. The Fund may deduct and retain for the benefit of the remaining unitholders of three percent (3%) of the Redemption Amount of the units of the class of the Fund being redeemed.

Suspension and Restriction of Redemptions

The Manager has the right to cause redemptions of units of a class of the Fund to be suspended for the whole or any part of a period during which normal trading is suspended on any stock exchange, options exchange or futures exchange on which securities or derivatives representing more than 50% by value or underlying market exposure of the total assets of the Fund are traded. Any redemptions that would otherwise have taken place during the period of suspension will be effected at the close of business on the Valuation Date immediately following the termination of the suspension unless, prior to that date, a unitholder has withdrawn their redemption order.

On any Valuation Date, the Manager may restrict redemptions of a class of units of the Fund at the current day's Net Asset Value per unit of that class of the Fund in the event that the Manager receives redemption orders for fifteen percent (15%) or more of the outstanding units of that class of the Fund and the Manager is of the opinion that redeeming all such units of that class of the Fund would significantly and adversely affect the interests of the remaining unitholders of the Fund. In the event that the Manager so restricts redemptions of a class of units of the Fund, the Manager will attempt to process as many of the redemption orders as possible at the current day's Net Asset Value per unit of that class of the Fund, without adversely affecting the interests of the remaining unitholders of the Fund. Any redemption orders for units of a class of the Fund that cannot be satisfied will be processed on subsequent Valuation Dates, at the Net Asset Value per unit of that class of the Fund on such subsequent Valuation Dates. In a situation where redemptions of a class of units of the Fund are restricted in this manner, the Manager will attempt to allocate redemption requests in a manner that the Manager deems fair and equitable to those unitholders of that class of the Fund requesting redemptions.

Compulsory Redemption

In the event a Unitholder should deliver a notice of redemption the effect of which, on redemption, would be to reduce the aggregate Net Asset Value per Units held by such Unitholder to less than \$25,000, the Manager may, subject to giving 30 days' notice in writing, require such Unitholder to redeem all of such remaining Units as of the Valuation Date immediately following the expiration of such 30 day period of notice.

The right of Unitholders to redeem their Units is contained in the Declaration of Trust. See "Units of the Fund".

The Manager reserves the right to redeem Units held by a Unitholder who in the opinion of the Manager is a non-resident of Canada for purposes of the Tax Act. The Manager may limit the

redemption of Units held by such persons to the extent necessary to ensure that less than 40% of the Units are held for the benefit of non-residents.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Confidential Offering Memorandum. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, at all relevant times, for the purposes of the Tax Act is resident in Canada, deals at arm's length, and is not affiliated, with the Fund and holds Units as capital property. Persons meeting such requirements are referred to herein as a "Holder" or "Holders", and this summary only addresses such Holders. Generally, Units will be considered to be capital property to a Holder provided that the Holder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain persons who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units and every other "Canadian security" (as defined in the Tax Act) owned by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is also based on the assumptions that: (i) no property held by the Fund will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, (ii) the Fund will not invest in shares of a corporation that would be a "foreign affiliate" of the Fund for purposes of the Tax Act and (iii) the Fund will at no time be a SIFT trust as defined in the Tax Act.

This summary is based upon the facts set out in this Confidential Offering Memorandum, the current provisions of the Tax Act, the Manager's understanding of the current administrative policies and assessing practices and policies of the CRA that have been made publicly available prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (collectively, the "**Tax Proposals**"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in the administrative policies or assessing practices of the CRA and does not take into account provincial, territorial, or foreign income tax legislation or considerations. There is no certainty that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed by a Unitholder to acquire Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending upon the investor's particular circumstances, including the province or provinces, or territory or territories in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not, and is not intended to be legal or tax advice to any prospective investor. Prospective investors should consult their own tax advisor for advice with respect to the income tax consequences of an investment in Units, based on the investor's particular circumstances.

Status of the Fund

The Fund qualifies as a quasi-mutual fund trust for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) and is a qualified investment for registered retirement saving plans, registered retirement income funds, deferred profit saving plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. See “**Eligibility for Investment.**”

Taxation of the Fund

In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on the amount of its net income and net realized capital gains for the year (computed in Canadian dollars in accordance with the Tax Act).

The Manager has advised that the Fund may pay or make payable sufficient net income and net realized capital gains in respect of each taxation year so that the Fund would generally not be liable in such year for income tax under Part I of the Tax Act (after taking into account any applicable losses and any capital gains refunds to which the Fund is entitled). An amount would be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount.

A loss realized by the Fund on a disposition of capital property is considered to be a “suspended loss” when the Fund acquires a property (a “substituted property”) that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund’s capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

In computing its income for tax purposes, the Fund may generally deduct reasonable administrative and other expenses incurred to earn income, including interest on any borrowings to the extent borrowed funds are used for the purpose of earning income from its investments. All of the Fund’s deductible expenses, including expenses common to all classes of the Fund and management fees and other expenses specific to a particular class of the Fund, will be taken into account in determining the income or loss of the Fund as a whole and applicable taxes payable by the Fund as a whole.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its capital gains (net of applicable losses) by an amount determined under the Tax Act based on the redemptions of Units during the year (“**capital gains refund**”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemption of Units.

Cost and proceeds of disposition of shares, dividends received, interest income and all other amounts will be determined for purposes of the Tax Act in Canadian dollars, converted where applicable, at the exchange rate quoted by the Bank of Canada at noon on the relevant day or at such other rate of exchange as is acceptable to the Minister of National Revenue. The Fund may

realize gains or losses as a result of fluctuations in the value of foreign currencies relative to the Canadian dollar, which the Fund will be required to take into account in reporting its income.

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

Certain rules in the Tax Act affect the taxation of specified investment flow-through entities ("SIFTs"), such as publicly traded income trusts and partnerships (other than certain real estate investment trusts), that are SIFT partnerships, and investors in those entities. Income attributable to a SIFT's "non-portfolio earnings" is taxed in a manner similar to income earned by a corporation, and distributions made by these entities to investors are taxed in a manner similar to dividends from taxable Canadian corporations and are deemed to be "eligible dividends" for the enhanced dividend tax credit if paid or allocated to a resident of Canada. Non-portfolio earnings are, generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties". Certain SIFT trusts and SIFT partnerships may qualify for a deferral of this tax until 2011, provided that the entity does not undergo undue growth before that time. If the Fund, or an underlying fund in which the Fund invests, holds interests in SIFT trusts or SIFT partnerships that are subject to this tax, the amount available for distribution to the Fund, and to Unitholders, may be reduced.

Taxation of Holders

Holders will generally be required to include in computing their income for a particular taxation year all net income and the taxable portion of net realized capital gains of the Fund, if any, paid or payable to them in the taxation year, and deducted by the Fund in computing its income for tax purposes, whether or not reinvested in additional Units. To the extent applicable, the Fund intends to make designations to ensure that such portion of: (i) the taxable capital gains of the Fund (net of applicable losses), (ii) income of the Fund from foreign sources, and (iii) dividends (including eligible dividends) received on shares of taxable Canadian corporations, as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. A taxable Holder will generally be entitled to foreign tax credits in respect of foreign taxes under and subject to the general foreign tax credit rules under the Tax Act and depending upon other foreign source income or loss of and foreign taxes paid by the Holder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply, including the enhanced dividend gross-up and tax credit for dividends designated as "eligible dividends" for purposes of the Tax Act.

Any amount in excess of the Fund's net income and the non-taxable portion of capital gains designated to the Holder for a taxation year that is paid or payable to the Holder in such year will

generally not be included in the Holder's income, but will generally reduce the adjusted cost base of the Holder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Holder from the disposition of the Unit and the Holder's adjusted cost base of such Unit will be increased by the amount of such deemed capital gain.

The reclassification of Units as Units of another class of the Fund will not be considered to be a disposition for tax purposes and accordingly, the Holder will realize neither a gain nor a loss as a result of a reclassification. The Holder's adjusted cost base of the Units received for the Units of another class will equal the adjusted cost base of the latter Units.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Holder but not deducted by the Fund will not be included in the Holder's income. However, the adjusted cost base of the Holder's Units will be reduced by such amount.

On the disposition or deemed disposition of a Unit (including a sale or redemption of a Unit), the Holder will realize a capital gain (or capital loss) equal to the amount by which the Holder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount that is otherwise required to be included in the Holder's income. The adjusted cost base of a Unit to a Holder will include all amounts paid or payable by the Holder for the Unit, with certain adjustments. For the purpose of determining the adjusted cost base to a Holder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all the Units owned by the Holder as capital property immediately before that time. The cost to a Holder of Units received on the reinvestment of distribution of the Fund will be equal to the amount reinvested.

One-half of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year must be included in computing the income of the Holder for that year and one-half of any capital loss (an "allowable capital loss") realized by a Holder in a taxation year is deducted from taxable capital gains realized by the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in such year, to the extent and under the circumstances provided for in the Tax Act.

If a Unitholder disposes of Units, and the Unitholder, the Holder's spouse or another person affiliated with the Unitholder (including a corporation controlled by the Unitholder) has also acquired Units of any class within 30 days before or after the Unitholder disposes of the Holder's Units (such newly acquired Units being considered "substituted property"), the Holder's capital loss may be deemed to be a "superficial loss". If so, the Unitholder will not be able to recognize the loss, and it would be added to the adjusted cost base to the owner of the Units which are "substituted property".

In general terms, a Holder that is an individual may be liable for alternative minimum tax in respect of Canadian source dividends and capital gains realized by, or distributed to, the Holder.

ELIGIBILITY FOR INVESTMENT

The Fund qualifies as a quasi-mutual fund trust for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) and is a qualified investment for registered retirement saving plans, registered retirement income funds, deferred profit saving plans, registered education savings plans, registered disability savings plans and tax-free savings accounts Provided that the holder of a Deferred Plan or TFSA does not hold a “significant interest” (as defined in the Tax Act) in the Fund or any person or partnership that does not deal at arm’s length with the Fund, and provided that such holder deals at arm’s length with the Fund, the Units will not be a prohibited investment for a trust governed by a Deferred Plan or TFSA.

REPORTING TO UNITHOLDERS

The Fiscal Year of the Fund ends on December 31 in each year or such other date as the Manager may determine from time to time. Statements for Canadian tax purposes reporting distributions and other relevant information will be sent to all Unitholders annually. Audited financial statements for the Fund will be prepared by the Manager as at the end of each Fiscal Year in accordance with industry standards. Audited financial statements of the Fund as at the end of each Fiscal Year and unaudited financial statements for the six months ending June 30 in each Fiscal Year may be made available to Unitholders upon request. The Manager may also provide to Unitholders such other periodic reports as it determines. Due to competitive concerns that could hurt investment returns, the Fund will discuss and disclose its activities in marketable securities only to the extent legally required. Therefore the Fund will not normally disclose or comment on specific investments or ideas.

Each Unitholder who is not tax exempt will be mailed annually no later than March 31, the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by a Fund in the preceding taxation year of the Fund.

AMENDMENT OF THE DECLARATION OF TRUST AND TERMINATION OF THE FUND

Amendments by the Trustee and Manager

The Trustee may, with the consent of the Manager, amend the Declaration of Trust without notice to Unitholders, provided that the Trustee and Manager determine such amendment to be in the best interests of Unitholders, in order to:

- (a) ensure continuing compliance with applicable laws affecting the Funds;
- (b) provide additional protection to Unitholders;
- (c) establish additional classes or series of Units of a Fund; or
- (d) make a change which in the opinion of the Trustee and Manager is not materially adverse to affected Unitholders' pecuniary interests.

The Trustee may, with the consent of the Manager, amend the Declaration of Trust without the approval of or notice to Unitholders where the amendment is to remove any conflicts, inconsistencies, typographical or clerical errors or omissions in the Declaration of Trust.

RECORDKEEPER

The Manager has retained **SGGG Fund Services Inc.**, whose principal office is located at 60 Yonge Street, Suite 1200, Toronto, Ontario M5E 1H5, as the Recordkeeper and transfer agent for the Fund (the "**Recordkeeper**"). The Recordkeeper keeps a record of who owns all Fund Units, processes orders and issues annual tax reporting information.

FUND ADMINISTRATOR

The Manager has retained **SGGG Fund Services Inc.**, whose principal office is located at 60 Yonge Street, Suite 1200, Toronto, Ontario M5E 1H5, as the valuation services agent and administrator to the Fund (the "**Fund Administrator**").

CUSTODIAN

The Manager has retained **TD Securities Inc.**, the prime brokerage business of the Toronto-Dominion Bank, as custodian of the property of the Fund. The custodian is responsible for the safekeeping of all of the investments and other assets of the Fund delivered to the custodian. The head office of the custodian is located in Toronto.

The Trustee reserves the right, in its discretion, to change the custodial arrangements described above including, but not limited to, the appointment of a replacement custodian.

AUDITORS

The auditors of the Fund are **KPMG LLP** located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, ON M5H 2S5. The Manager may replace the auditors at any time at its discretion, without approval of or prior notice to Unitholders. The auditors' remuneration is fixed by the Manager from time to time and is payable out of the assets of the Fund.

MATERIAL CONTRACTS

The only material contracts of the Fund are as follows:

- (a) Declaration of Trust;
- (b) Prime Brokerage Agreement;
- (c) Investment Advisory Agreement;
- (d) Management Agreement.

Copies of the material contracts may, following their execution, be inspected by Unitholders at the principal office of the Manager during normal business hours.

RIGHTS OF ACTION

Securities legislation in certain provinces of Canada provides purchasers of Units under this Confidential Offering Memorandum with, in addition to any other right they may have at law, rights of action for rescission or damages, or both, where this Confidential Offering Memorandum, any amendment thereto and, in some cases, advertising, and sales literature used in connection with the offering of Units, contains a misrepresentation. These remedies must be exercised within the prescribed time limits and are described in the attached Schedule "A".

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SCHEDULE “A”

PURCHASERS’ RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in certain of the provinces of Canada provide purchasers with rights of rescission or damages, or both, where an offering memorandum, such as this Confidential Offering Memorandum, or any amendment thereto contains a misrepresentation.

For the purposes of this section, “misrepresentation” means: (a) an untrue statement of a fact that significantly affects, or would reasonably be expected to have a significant effect, on the market price or the value of securities (a “material fact”); or (b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

The following is a summary of the statutory rights of rescission or damages, or both, under securities legislation in certain of the provinces of Canada, and as such, is subject to the express provisions of the legislation and the related regulations and rules. **Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.**

Ontario and New Brunswick

If an offering memorandum, together with any amendment thereto, is delivered to a prospective purchaser and the offering memorandum, or any amendment thereto, contains a misrepresentation which was a misrepresentation at the time the securities were purchased, the purchaser will be deemed to have relied upon the misrepresentation and will have a statutory right of action against the issuer for damages or, may elect to exercise the right of rescission against the issuer (in which case, the purchaser will have no right of action for damages against the issuer).

Securities legislation in each of these provinces provides a number of limitations and defences, including:

- (a) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (b) in a case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum, or any amendment thereto.

The statutory right of action described above does not apply to the following purchasers of securities in Ontario:

- (a) a Canadian financial institution, as defined in *Ontario Securities Commission Rule 45-501 – Ontario Prospectus and Registration Exemptions*, or an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

- (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.

In New Brunswick, (a) if advertising or sales literature is relied upon by a purchaser in connection with a purchase of the securities, the purchaser shall also have a similar right of action for damages or rescission against the issuer, every promoter or director of the issuer and every person who, at the time of dissemination of the advertising or sales literature sells securities on behalf of the issuer, (b) if an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the securities and the verbal statement is made either before or contemporaneously with the purchase of securities, the purchaser has a right of action for damages against the individual who made the verbal statement subject to certain defences available to such person.

No action shall be commenced to enforce the right of action described above unless the right is exercised within:

- (a) in case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action for damages, the earlier of:
 - (i) 180 days, in the case of Ontario purchasers, and one year, in the case of New Brunswick purchasers, after the date the purchasers first had knowledge of the facts giving rise to the course of action; and
 - (ii) three years, in the case of Ontario purchasers, and six years, in the case of New Brunswick purchasers, after the date of the transaction that gave rise to the cause of action.

Alberta, Nova Scotia and Prince Edward Island

If the offering memorandum, together with any amendment thereto is delivered to a purchaser (in Alberta, in reliance upon the minimum amount exemption in NI 45-106), or any advertising or sales literature in the case of purchasers of securities who are resident in Nova Scotia, contains a misrepresentation, a purchaser to whom the offering memorandum has been delivered and who purchases securities shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has the right of action for damages against (a) the issuer, (b) other seller in Nova Scotia, (c) subject to certain additional defences, against every director of the issuer, every director of the other seller in Nova Scotia, in each case, at the date of the offering memorandum and (d) every person or company who signed the offering memorandum, but may elect to exercise the right of rescission against the issuer (in which case the purchaser shall have no right of action for damages against the aforementioned persons or company).

Securities legislation in each of these provinces provides a number of limitations and defences, including:

- (a) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the securities were offered under the offering memorandum, or any amendment thereto.

In Alberta and Prince Edward Island, no action shall be commenced to enforce the right of action discussed above more than:

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

In Nova Scotia, no action shall be commenced to enforce the right of action discussed above unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the security or after the date on which the initial payment for the security was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

Saskatchewan and Manitoba

If an offering memorandum or any amendment thereto, sent or delivered to a purchaser contains a misrepresentation, a purchaser who purchases a security has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages,

- (a) in Saskatchewan, against, the (i) issuer, (ii) every promoter or director of the issuer at the time the offering memorandum or any amendment thereto was sent or delivered, (iii) 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, (iv) every person who or company that, in addition to the person or companies mentioned in (i) to (iii) above, signed the offering memorandum or any amendments thereto, and (v) every person or company that sells securities on behalf of the issuer under the offering memorandum or amendment thereto;

- (b) in Manitoba, against the issuer, every director of the issuer at the date of the offering memorandum, and every person or company who signed the offering memorandum

or, may elect a right to exercise the right of rescission against the issuer (in which case the purchaser will have no right of action for damages against the aforementioned persons).

Similar rights of action for damages and rescission are provided under the securities legislation of Saskatchewan in respect of a misrepresentation in advertising and sales literature disseminated or in case of a verbal misrepresentation made in connection with an offering of securities.

The Saskatchewan and Manitoba securities legislation provides a number of limitations and defences, including: (a) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation, (b) in the case of an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation, (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

No action shall be commenced to enforce any of the foregoing rights more than: (a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or (b) in the case of an action for damages, the earlier of (i) one year in the case of Saskatchewan purchasers, and 180 days in the case of Manitoba purchasers, after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years in the case of Saskatchewan purchasers, and two years in the case of Manitoba purchasers, after the date of the transaction that gave rise to the cause of action.

Other Rescission Rights

In certain provinces, a purchaser of a security of a mutual fund may (where the amount of the purchase does not exceed an amount as prescribed by legislation), rescind the purchase by notice given to the registered dealer from whom the purchase was made within 48 hours after receipt of the confirmation for a lump sum purchase or within 60 days after receipt of confirmation for the initial payment under a contractual plan for the purchase.

General

The rights described above are in addition to and without derogation from any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defenses contained therein. Each purchaser should refer to provisions of the applicable securities legislation for the particulars of these rights or consult a legal advisor.

The foregoing summaries are subject to the express provisions of the *Securities Act* (Ontario), *Securities Act* (Alberta), *Securities Act* (Nova Scotia), *Securities Act* (Saskatchewan), *Securities Act* (Manitoba), *Securities Act* (New Brunswick), *Securities Act* (Prince Edward Island), and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions. These rights must be exercised by purchasers of securities within the prescribed time limits under applicable securities legislation.

Rights for Purchasers in British Columbia, Québec, Newfoundland and Labrador, the Northwest Territories, Nunavut and the Yukon Territory

Purchasers of securities pursuant to this Confidential Offering Memorandum who are resident in British Columbia, Québec, Newfoundland and Labrador, the Northwest Territories, Nunavut or the Yukon Territory, shall be granted a contractual right of action for damages or rescission if this Confidential Offering Memorandum, together with any amendments to it, contains a misrepresentation. The contractual right of action shall be granted on the same terms and conditions as the statutory rights of action for purchasers of securities who are resident in Ontario as described above.

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LIGHTWATER

— PARTNERS LTD —

LIGHTWATER LONG SHORT FUND

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