

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, will not be offered or sold within the United States or to U.S. persons.*

## PROSPECTUS



# ALL-CANADIAN Oil & Gas ETF

*Initial Public and Continuous Offering*

March 6, 2026

### All-Canadian Oil & Gas ETF (the “ETF”)

#### Unlimited Number of Class E Units of the ETF (the “Units”)

The All-Canadian Oil & Gas ETF (the “ETF”) is an exchange traded mutual fund trust established under the laws of the province of Ontario. It is an “alternative mutual fund” as defined in National Instrument 81-102 *Investment Funds* (“NI 81-102”).

The Units are being offered for sale on a continuous basis by this prospectus. The Units are denominated in Canadian dollars and shall be offered for sale at a price equal to the NAV (as defined herein) determined at the Valuation Time (as defined herein) on the effective date of the subscription order. See “Plan of Distribution”.

Lightwater Partners Ltd. (the “**Manager**”), a registered portfolio manager in Ontario and an investment fund manager in Newfoundland and Labrador, Ontario and Québec, is the promoter, trustee, manager and portfolio manager of the ETF. See “Organization and Management Details of the ETF”.

The investment objectives of the ETF are to provide holders of Units (“**Unitholders**”) with quarterly cash distributions and the opportunity for capital appreciation by investing in securities of publicly listed companies in the Canadian oil & gas industry. Under normal market conditions, the ETF will primarily invest in equity, equity-related and fixed-income securities of publicly listed companies in the Canadian oil & gas industry.

The ETF is an “alternative mutual fund” as defined in NI 81-102 because it intends to: (i) invest more than 10% of its NAV in securities of a single issuer from time to time; (ii) borrow cash; (iii) short sell beyond the limits prescribed for conventional mutual funds; and (iv) employ leverage. The maximum aggregate exposure of the ETF to cash borrowing, short selling and specified derivatives (not including covered call options) will not exceed approximately 33% of its NAV. See “Investment Objectives” for further information.

The Units have been conditionally approved for listing on the Toronto Stock Exchange (the “**TSX**”). Subject to satisfying the TSX’s original listing requirements, the Units shall be listed on the TSX and investors will be able to

buy or sell such Units on the TSX on a continuous basis through registered brokers and dealers in the province or territory where the investor resides. The TSX ticker symbol for the Units is “COIL”.

Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or the ETF in connection with the buying or selling of Units on the TSX.

### **Additional Considerations**

As indicated above, the ETF is considered an “alternative mutual fund” within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. Alternative mutual funds, under NI 81-102, are permitted to use strategies generally prohibited for conventional mutual funds, including the ability to invest more than 10% of their NAV in securities of a single issuer, the ability to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to employ leverage. While these specific strategies will be used in accordance with the ETF’s investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value. See “Investment Strategies – Use of Leverage” for further information.

No underwriter or dealer has been involved in the preparation of the prospectus or has performed any review of the contents of the prospectus. The Designated Broker (as defined herein) and Dealers (as defined herein) are not underwriters of the ETF in connection with the distribution of Units under this prospectus.

The ETF has obtained exemptive relief from the securities regulatory authorities exempting it from the requirement to include a certificate of an underwriter in this prospectus. See “Exemptions and Approvals”.

In the opinion of counsel, provided that the ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act (as defined below), or the Units of the ETF are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), the Units of such ETF, if issued on the date hereof, would be on such date qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a deferred profit sharing plan, a registered education savings plan, a tax-free savings account or a first home savings account.

**For a discussion of the risks associated with an investment in Units, see “Risk Factors”.**

Additional information about the ETF is, or will be, available in the most recently filed annual financial statements, together with the accompanying report of the auditor; any interim financial statements filed after those annual financial statements; the most recently filed annual management report of fund performance; any interim management report of fund performance filed after that most recently filed annual management report of fund performance; and the most recently filed ETF Facts. These documents are or will be incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document.

You can obtain a copy of these documents, at your request, and at no cost, by calling at 1-416-504-9767- or by e-mail at [coil@lightwaterpartners.com](mailto:coil@lightwaterpartners.com) or by contacting your dealer. These documents are available on the ETF’s website at [www.lightwaterpartners.com](http://www.lightwaterpartners.com). These documents and other information about the ETF are also available on the internet at [www.sedarplus.com](http://www.sedarplus.com).

For further details, see “Documents Incorporated by Reference”.

**Lightwater Partners Ltd.**  
**372 Bay Street, Suite 1700**  
**Toronto, Ontario, M5H 2W9**

**Telephone: 1-416-504-9767**

## TABLE OF CONTENTS

GLOSSARY .....	5
PROSPECTUS SUMMARY .....	10
Organization and Management of the ETF .....	15
Summary of Fees and Expenses.....	16
OVERVIEW OF THE LEGAL STRUCTURE OF THE ALL-CANADIAN OIL & GAS ETF .....	19
INVESTMENT OBJECTIVES .....	19
INVESTMENT STRATEGIES.....	19
OVERVIEW OF THE SECTORS THAT THE ETF INVESTS IN.....	22
INVESTMENT RESTRICTIONS .....	23
Tax Related Investment Restrictions.....	23
FEES AND EXPENSES .....	23
Fees and Expenses Payable by the ETF .....	23
Fees and Expenses Payable Directly by Unitholders .....	25
RISK FACTORS .....	25
DISTRIBUTION POLICY .....	39
Year-End Distributions .....	40
Distribution Reinvestment Plan .....	40
PURCHASES OF UNITS .....	41
EXCHANGE AND REDEMPTION OF UNITS .....	43
Exchange of Units at NAV per Unit for Baskets of Securities and/or Cash.....	43
Redemption of Units for Cash .....	43
Suspension of Exchanges and Redemptions .....	44
Other Fees.....	44
Allocations of Capital Gains to Redeeming or Exchanging Unitholders .....	44
Book-Entry Only System.....	44
Short-Term Trading .....	45
PRIOR SALES .....	45
Trading Price and Volume.....	45
INCOME TAX CONSIDERATIONS.....	45
Status of the ETF.....	46
Taxation of the ETF .....	46
Taxation of Holders .....	49
Taxation of Registered Plans .....	50
Tax Implications of the ETF's Distribution Policy .....	51
ORGANIZATION AND MANAGEMENT DETAILS OF THE ETF .....	51
Manager .....	51
Designated Broker .....	52
Brokerage Arrangements .....	53
Conflicts of Interest .....	53
Independent Review Committee .....	54
The Trustee.....	54
Registrar and Transfer Agent.....	55

Prime Broker .....	56
Lending Agent .....	56
Promoter .....	56
Accounting and Reporting .....	56
Designated Website .....	56
CALCULATION OF NET ASSET VALUE .....	56
Valuation Policies and Procedures of the ETF .....	57
Reporting of NAV .....	58
ATTRIBUTES OF THE SECURITIES .....	58
Description of the Securities Distributed .....	58
Exchange of Units for Baskets of Securities .....	58
Redemptions of Units for Cash .....	58
Modification of Terms .....	59
Voting Rights in the Portfolio Securities .....	59
UNITHOLDER MATTERS .....	59
Meetings of Unitholders .....	59
Matters Requiring Unitholder Approval .....	59
Amendments to the Declaration of Trust .....	60
Permitted Mergers .....	61
Reporting to Unitholders .....	61
TERMINATION OF THE ETF .....	61
Procedure on Termination .....	62
PLAN OF DISTRIBUTION .....	62
Non-Resident Unitholders .....	62
RELATIONSHIP BETWEEN THE ETF AND THE DEALERS .....	63
PRINCIPAL HOLDERS OF UNITS .....	63
PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD .....	63
MATERIAL CONTRACTS .....	64
LEGAL AND ADMINISTRATIVE PROCEEDINGS .....	64
EXPERTS .....	64
EXEMPTIONS AND APPROVALS .....	64
OTHER MATERIAL FACTS .....	65
International Information Reporting .....	65
PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION .....	65
DOCUMENTS INCORPORATED BY REFERENCE .....	65
INDEPENDENT AUDITOR'S REPORT .....	67
STATEMENT OF FINANCIAL POSITION .....	69
NOTES TO STATEMENT OF FINANCIAL POSITION .....	70
CERTIFICATE OF THE ETF AND THE TRUSTEE, MANAGER AND PROMOTER .....	C-1

## GLOSSARY

Unless otherwise indicated, references to dollar amounts in this prospectus are to Canadian dollars and all references to times in this prospectus are to Toronto time. The following terms have the following meaning:

“**Adjusted Class NAV per unit**” on any date is equal to the Class NAV per unit on such date, before deduction of the performance fee, if any, payable in respect of each unit of such Class on such date, plus the amount of any distributions payable in respect of each unit of such Class since the beginning of the Performance Fee Determination Period;

“**ADR**” means an American Depositary Receipt;

“**allowable capital loss**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Taxation of Holders”;

“**ATR Rules**” has the meaning ascribed to such term under the heading “Exchange and Redemption of Units – Allocations of Capital Gains to Redeeming or Exchanging Unitholders”;

“**at-the-money**” means a call option with a price equal to the current market price of the underlying security at the time of writing the call option as determined by the Manager, provided that the determination by the Manager that a call option is “at-the-money” shall be conclusive for all purposes herein;

“**Basket of Securities**” means a group of securities and/or assets determined by the Manager from time to time representing the constituents of the ETF to the extent reasonably possible.

“**Black Scholes Model**” means a widely used option pricing model developed by Fischer Black and Myron Scholes in 1973. The model can be used to calculate the theoretical value of an option based on the current price of the underlying security, the strike price and term of the option, prevailing interest rates and the volatility of the price of the underlying security;

“**call option**” means the right, but not the obligation, of the option holder to buy a security from the seller of the option at a specified price at any time during a specified time period or at expiry;

“**Canadian securities legislation**” means the securities laws in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities in such jurisdictions;

“**Capital Gains Refund**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Taxation of the ETF”;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDS Participant**” means a participant in CDS that holds security entitlements in Units on behalf of beneficial owners of those Units;

“**covered call option**” means a call option entered into in circumstances where the seller of the call option owns the underlying security for the term of the option;

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

“**CRS Provisions**” has the meaning ascribed thereto under “Other Material Facts – International Information Reporting”;

“**Custodian**” means TD Securities Inc., in its capacity as custodian of the ETF pursuant to the Custodian Agreement;

**“Custodian Agreement”** means the custodian agreement dated February 2, 2026 between the Manager, on behalf of the ETF, the Custodian and/or certain affiliates of the Custodian, as the same may be amended, restated or replaced from time to time;

**“Dealer”** means a registered dealer (that may or may not be a Designated Broker) that has entered into a Dealer Agreement with the Manager, on behalf of the ETF, pursuant to which the Dealer may subscribe for Units as described under “Purchases of Units”;

**“Dealer Agreement”** means an agreement between the Manager, on behalf of the ETF, and a Dealer;

**“Debt-to-Cash Flow Ratio”** means ratios of a company’s debt to its cash flow;

**“Debt-to-Equity”** means ratios calculated by dividing a company’s liabilities by shareholder equity;

**“Declaration of Trust”** means the master declaration of trust establishing the ETF dated February 2, 2026, as the same may be supplemented, amended or amended and restated from time to time;

**“derivatives”** means an instrument, agreement or security, the market price, value or payment obligations of which is derived from, referenced to or based on an underlying interest;

**“Designated Broker”** means a Dealer that has entered into a Designated Broker Agreement with the Manager, on behalf of the ETF pursuant to which the Designated Broker agrees to perform certain duties in relation to the ETF;

**“Designated Broker Agreement”** means an agreement between the Manager, on behalf of the ETF, and the Designated Broker;

**“DFA Rules”** has the meaning ascribed to such term under the heading “Risk Factors – Tax Risks”;

**“Distribution Record Date”** means a date determined by the Manager as a record date for the determination of Unitholders entitled to receive a distribution;

**“DPSP”** means a deferred profit sharing plan within the meaning of the Tax Act;

**“EIFEL Rules”** has the meaning ascribed to such term under the heading “Risk Factors – Tax Risks”;

**“Equity Repurchase Rules”** has the meaning ascribed to such term under the heading “Risk Factors – Tax Risks”;

**“Equity Securities”** means any securities that represent an interest in an issuer, including common shares, securities convertible into or exchangeable for common shares and ADRs, provided that the determination by the Manager that a security is an Equity Security shall be conclusive for all purposes herein;

**“ETF Facts”** means a summary document prescribed by Canadian securities legislation in respect of an exchange traded fund, which summarizes certain features of the exchange traded fund and which is publicly available at [www.sedarplus.com](http://www.sedarplus.com) and provided or made available to registered Dealers for delivery to purchasers of securities of an exchange traded fund;

**“FHSA”** means a first home savings account within the meaning of the Tax Act;

**“forward contracts”** means agreements between two parties to buy or sell an asset at a specified point of time in the future at a predetermined price;

**“futures contracts”** means standardized contracts entered into on domestic or foreign exchanges which call for the future delivery of specified quantities of various assets such as stocks, bonds, agricultural commodities, industrial commodities, currencies, financial instruments, energy products or metals at a specified time and place. The terms and conditions of futures contracts of a particular commodity are standardized and as such are not subject to any

negotiation between the buyer and seller. The contractual obligations, depending upon whether one is a buyer or a seller, may be satisfied either by taking or making, as the case may be, physical delivery of an approved grade of commodity or by making an offsetting sale or purchase of an equivalent but opposite futures contract on the same exchange prior to the designated date of delivery. The difference between the price at which the futures contract is sold or purchased and the price paid for brokerage commissions, constitutes the profit or loss to the trader. In market terminology, a trader who purchases a futures contract is “long” in the market and a trader who sells a futures contract is “short” in the market. Before a trader closes out his or her long or short position by an offsetting sale or purchase, his or her outstanding contracts are known as “open trades” or “open positions”. The aggregate amount of open long or short positions held by traders in a particular contract is referred to as the “open interest” in such contract;

“**GST/HST**” means taxes exigible under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder;

“**High-water Mark**” means, in respect of each class of units of the ETF, the highest Class NAV per unit in respect of which a performance fee has been previously paid for that class, or the initial offering price of the units of such class if no performance fee has yet been paid in respect of such class. For greater clarity, the High-Water Mark remains constant thorough a calendar quarter; it may be reset at the end of the quarter, if a performance fee is paid;

“**Holder**” has the meaning ascribed thereto under “Income Tax Considerations”;

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

“**IGA Provisions**” has the meaning ascribed thereto under “Other Material Facts – International Information Reporting”;

“**in-the-money**” means a call option with a strike price that is less than the current market price of the underlying security;

“**IRC**” means the independent review committee of the ETF established under NI 81-107;

“**Lending Agent**” means TD Securities Inc., in its capacity as lending agent pursuant to the Securities Lending Agreement;

“**Lightwater**” means Lightwater Partners Ltd., the Manager, Trustee, Promoter and portfolio manager of the ETF;

“**Management Fee**” has the meaning ascribed to such term under the heading “Fees and Expenses – Fees and Expenses Payable by the ETF”;

“**Management Fee Distribution**”, as described under “Fees and Expenses”, means an amount equal to the difference between the Management Fee otherwise chargeable by the Manager and a reduced fee determined by the Manager, at its discretion, from time to time, and that is distributed quarterly in cash, at the discretion of the Manager, to the applicable Unitholders who hold large investments in the ETF;

“**Manager**” means Lightwater Partners Ltd., in its capacity as investment fund manager of the ETF pursuant to the Declaration of Trust;

“**minimum distribution requirements**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Status of the ETF”;

“**NAV**” means the net asset value of the ETF as calculated on each Valuation Day in accordance with the Declaration of Trust;

“**Net Profit**” means, in respect of each class of units of the ETF for any Performance Fee Determination Period, the amount calculated by deducting the relevant Class NAV per unit on the first Trading Day of that Performance Fee Determination Period from the Adjusted Class NAV per unit on the last Trading Day of that Performance Fee

Determination Period and multiplying the resulting amount by the total number of units of such class outstanding at the close of business on the last Trading Day in that Performance Fee Determination Period;

“**NI 81-102**” means National Instrument 81-102 *Investment Funds*;

“**NI 81-107**” means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

“**Non-Portfolio Income**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Taxation of the ETF”;

“**Option Premium**” means the purchase price of an option;

“**out-of-the-money**” means a call option with a strike price greater than the current market price of the underlying security;

“**Performance Fee Determination Period**” means (i) each calendar quarter for those investors that remain in the ETF at the end of the calendar quarter and (ii) the period from the beginning of a calendar quarter until the redemption date for those investors that redeem prior to the end of the calendar quarter;

“**Performance Hurdle**” means, in respect of each class of units of the ETF for any Performance Fee Determination Period, the amount calculated by multiplying 4% per annum (prorated to the length of the Performance Fee Determination Period) of the High-water Mark per unit by the total number of units of such class outstanding at the close of business on the last Trading Day in that Performance Fee Determination Period. For greater certainty, the Performance Hurdle is cumulative and only resets once performance fee is earned (or “crystalized”).

“**Permitted Merger**” has the meaning ascribed to such term under the heading “Unitholder Matters – Permitted Mergers”;

“**Plan**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Status of the ETF”;

“**Plan Agent**” means TD Securities Inc., in respect of the ETF for the Reinvestment Plans;

“**Plan Participant**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**Plan Unit**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**PNU**” has the meaning ascribed to such term under “Purchases of Units”;

“**Prime Broker**” means TD Securities Inc.;

“**Promoter**” means Lightwater, in its capacity as promoter of the ETF;

“**RDSP**” means a registered disability savings plan within the meaning of the Tax Act;

“**Registrar and Transfer Agent**” means TSX Trust in its capacity as registrar and transfer agent of the ETF;

“**Reinvestment Plan**” means the distribution reinvestment plan for the ETF, as described under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**RESP**” means a registered education savings plan within the meaning of the Tax Act;

“**RRIF**” means a registered retirement income fund within the meaning of the Tax Act; “**RRSP**” means a registered retirement savings plan within the meaning of the Tax Act;

“**Sales Tax**” means all applicable provincial and federal sales, value added or goods and services taxes, including GST/HST;

“**Securities Lending Agreement**” means the securities lending agreement between the Manager, in its capacity as trustee and manager of the ETF, and the Lending Agent, as may be supplemented, amended and/or amended and restated from time to time;

“**securities regulatory authorities**” means the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian securities legislation in force in such jurisdictions;

“**SIFT Rules**” has the meaning ascribed to such term under the heading “Risk Factors – Tax Risks”;

“**substituted property**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Taxation of the ETF”;

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

“**Tax Amendment**” means a proposed amendment to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof;

“**Tax Treaties**” has the meaning ascribed to such term under the heading “Risk Factors – Tax Risks”;

“**taxable capital gain**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Taxation of Holders”;

“**TFSA**” means a tax-free savings account within the meaning of the Tax Act;

“**Trading Day**” means a day on which a session of the TSX is held;

“**Trustee**” means Lightwater, in its capacity as trustee of the ETF pursuant to the Declaration of Trust;

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

“**Unitholder**” means a holder of Units;

“**Units**” means redeemable, transferable Class E Units, each of which represent an undivided interest in the net assets of the ETF, and “**Unit**” means any one of them;

“**U.S.**” means the United States of America;

“**Valuation Day**” means each day that is a Trading Day, or any other day as may be determined by the Manager from time to time;

“**Valuation Time**” means 4:00 p.m. (EST) on a Valuation Day or such other time as may be determined by the Manager from time to time;

“**Yield**” means the sum of the gross cash dividend per share amounts of an Equity Security that have gone ex-dividend over the prior 12 months, divided by the current stock price; and

“**\$**” means Canadian dollars unless otherwise indicated.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information, financial data and financial statements contained elsewhere in this prospectus or incorporated by reference in this prospectus. Capitalized terms not defined in this summary are defined in the Glossary.*

- Issuer:** All-Canadian Oil & Gas ETF (the “**ETF**”)
- Offering:** The ETF is an exchange traded mutual fund trust established under the laws of the province of Ontario. The ETF is an “alternative mutual fund” as defined in NI 81-102.
- See “Overview of the Legal Structure of the All-Canadian Oil & Gas ETF”.
- Continuous Distribution:** Units are being issued and sold on a continuous basis by this prospectus, and there is no maximum number of such Units that may be issued. The Units are denominated in Canadian dollars and shall be offered for sale at a price equal to the NAV determined at the Valuation Time on the effective date of the subscription order. See “Plan of Distribution”.
- The Units have been conditionally approved for listing on the TSX. Subject to satisfying the TSX’s original listing requirements, the Units shall be listed on the TSX and investors will be able to buy or sell such Units on the TSX on a continuous basis through registered brokers and dealers in the province or territory where the investor resides. The TSX ticker symbol for the Units is “COIL”.
- Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or the ETF in connection with the buying or selling of Units on the TSX.
- The ETF issues Units directly to the Designated Broker and Dealers. From time-to-time and as may be agreed between the ETF and the Designated Broker and Dealers, the Designated Broker and Dealers may agree to accept a Basket of Securities as payment for Units from prospective purchasers. See “Plan of Distribution” and “Purchases of Units”.
- Investment Objectives:** **All-Canadian Oil & Gas ETF**
- The investment objectives of the ETF are to provide holders of Units (“**Unitholders**”) with quarterly cash distributions and the opportunity for capital appreciation by investing in securities of publicly listed companies in the Canadian oil & gas industry. Under normal market conditions, the ETF will primarily invest in equity, equity-related and fixed-income securities of publicly listed companies in the Canadian oil & gas industry.
- The ETF is an “alternative mutual fund” as defined in NI 81-102 because it intends to:
- (i) invest more than 10% of its NAV in securities of a single issuer from time to time;
  - (ii) borrow cash;
  - (iii) short sell beyond the limits prescribed for conventional mutual funds; and
  - (iv) employ leverage.
- The maximum aggregate exposure of the ETF to cash borrowing, short selling and specified derivatives (not including covered call options) will not exceed approximately 33% of its NAV.
- See “Investment Objectives” for further information.

**Investment Strategies:**

In seeking to meet its investment objective, the ETF will invest in a concentrated portfolio comprised primarily of equity, equity-related and fixed-income securities of publicly listed companies that are involved directly or indirectly in the production, distribution, development, or exploration of oil and natural gas in Canada. Included in the list (but not limited to) of potential investible sub-sectors are: energy services, pipelines, mid-streamers, retail distribution, production, exploration and technologies related to oil & gas.

The ETF may also invest in smaller to medium-sized companies within the oil & gas industries that are largely over-looked by larger institutional investors and seek to benefit from the historical undervaluation of this segment of oil & gas stocks relative to their larger peers.

To achieve lower overall volatility of portfolio returns, the ETF may write covered call options on up to 33% of the Equity Securities held in the ETF's portfolio. For certainty, the covered call options of the ETF will not be included in the ETF's aggregate calculation of leverage. The level of covered call option writing may vary based on option availability for portfolio holdings, market volatility and other factors. It may also write covered calls (if possible, as some holdings within the portfolio may not be option eligible) to enhance yield. The ETF may also short stocks or exchange traded funds or ADRs to hedge its long positions.

The ETF may use derivatives, which may introduce leverage into the ETF. The ETF may also borrow cash and sell securities short. The ETF's maximum aggregate exposure to short selling, cash borrowing and derivatives used for leverage must not exceed 300% of the ETF's net asset value, calculated on a daily basis.

In accordance with its investment objectives and strategies, the ETF may use leverage, which during certain market conditions may accelerate the pace at which an investment decreases in value. See "Investment Strategies – Use of Leverage" for further information.

*General Investment Strategies of the ETF*

The ETF will invest in a portfolio comprised of various securities and instruments which will primarily include equity, equity-related and fixed-income securities of publicly listed companies in the Canadian oil & gas industry. The investments of the ETF may also include, but are not limited to, debt securities, futures contracts and exchange traded funds. Equity related securities held by the ETF may include but are not limited to, ADRs, convertible debt, income trust units, single issuer equity options, preferred shares and warrants. If market conditions require, in order to preserve capital, the ETF may seek to invest a substantial portion of its assets in cash and cash equivalents.

The Manager may choose to deviate from its investment strategies by temporarily investing most or all of its assets in cash or fixed income securities when it believes that there is a greater than usual risk of market downturn or for other reasons.

*Covered Option Writing*

The Manager believes that option writing may have potential to add value and is an effective way to help lower the level of volatility for an investor and potentially improve returns. All other things being equal, higher volatility in the price of a security results in higher Option Premiums in respect of such security. The Manager believes that some (not all) of the securities held within the ETF are suited for a covered call writing strategy. Each month, covered call options will be written by the Manager on not more

than 33% of the Equity Securities held in the ETF's portfolio. For certainty, the covered call options of the ETF will not be included in the ETF's aggregate calculation of leverage.

#### *Investment in Other Investment Funds*

In accordance with applicable securities legislation, as part of its investment strategy and as an alternative to or in conjunction with investing in and holding securities directly, the ETF may invest in one or more third party investment funds or exchange-traded funds listed on a stock exchange in Canada or the United States.

#### *Use of Derivative Instruments*

The ETF may use derivative instruments to reduce transaction costs and increase the liquidity and efficiency of trading. The ETF may, from time to time, use derivatives to hedge its exposure to Equity Securities or to generate additional income. The ETF may invest in or use derivative instruments, including futures contracts and forward contracts, provided that the use of such derivative instruments is in compliance with NI 81-102 or the appropriate regulatory exemptions have been obtained, and is consistent with the investment objectives and strategies of the ETF.

#### *Currency Hedging*

The ETF is exposed to non-Canadian currency exposure. The ETF will make limited use of foreign exchange hedging.

#### *Securities Lending*

The ETF may enter into securities lending transactions and repurchase and reverse purchase transactions in compliance with NI 81-102 to earn additional income for the ETF.

#### *Leverage*

As an alternative mutual fund, the ETF may use leverage. In accordance with applicable securities regulation, leverage may be created by an alternative mutual fund through the use of cash borrowings, short sales and/or derivatives. Such securities regulations provide that an alternative mutual fund, such as the ETF, may borrow cash up to 50% of its NAV and may sell securities short, whereby the aggregate market value of the securities sold short will be limited to 50% of its NAV. The combined use of short-selling and cash borrowing by the ETF is subject to an overall limit of 50% of its NAV.

In addition, securities regulations provide that an alternative mutual fund's aggregate gross exposure, to be calculated as the sum of the following, must not exceed 300% of its NAV: (i) the aggregate market value of cash borrowing; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of specified derivatives positions excluding any specified derivatives used for hedging purposes. Leverage will be calculated in accordance with the methodology prescribed by securities laws, or any exemptions therefrom.

**Notwithstanding the foregoing and such permitted legislative limits, in accordance with its investment objectives, the maximum aggregate exposure of the ETF to cash borrowing, short selling and specified derivatives (not including covered call options) will not exceed approximately 33% of its NAV. As noted, it is anticipated that such leverage will be created primarily through the use of cash borrowings.**

While securities regulations provide that the ETF may borrow cash up to 50% of its NAV, the maximum cash borrowing of the ETF will not exceed approximately 33% of its NAV (in accordance with the paragraph above). Cash borrowing will be used by the ETF to invest in additional securities or for working capital. It is intended that the ETF will enter into a loan facility with one or more lenders in order to provide the ETF with the ability to utilize leverage with the intention of enhancing the ETF's total return.

Although the ETF may employ leverage of up to 33% of the ETF's NAV, there is no guarantee that the ETF will employ leverage at all times, or at all, depending on a number of factors including, but not limited to, margin requirements, collateral requirements, and subscription or redemption processes.

See "Investment Strategies – Use of Leverage".

**Special Considerations for Purchasers:**

The ETF is considered an "alternative mutual fund" within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. Alternative mutual funds, under NI 81-102, are permitted to use strategies generally prohibited for conventional mutual funds, including the ability to invest more than 10% of their NAV in securities of a single issuer, the ability to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to employ leverage.

The provisions of the so-called "early warning" requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units. In addition, the ETF has obtained exemptive relief from the securities regulatory authorities to permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders.

See "Purchases of Units – Special Considerations for Purchasers".

**Distributions:**

Any cash distributions on the Units of the ETF are expected to be made on a quarterly basis. The ETF does not have a fixed distribution amount. The amount of ordinary cash distributions, if any, will be based on the Manager's assessment of the prevailing market conditions. The amount and date of any ordinary cash distributions of the ETF will be announced in advance by issuance of a press release. Subject to compliance with the investment objectives of the ETF, the Manager may, in its complete discretion, change the frequency of these distributions and any such change will be announced by press release. Distributions on the Units, if any, may consist of income, including foreign source income and dividends from taxable Canadian corporations, and capital gains, less the expenses of the ETF and may include returns of capital.

See "Distribution Policy".

**Distribution Reinvestment:** The Manager has adopted a distribution reinvestment plan (a “**Reinvestment Plan**”) in respect of the ETF. Pursuant to the applicable Reinvestment Plan, a Plan Participant may elect to automatically reinvest all cash distributions (net of any required withholding tax) paid on Units held by that Plan Participant in Plan Units of the ETF in accordance with the terms of the Reinvestment Plan (a copy of which is available through your broker or dealer). Cash distributions (net of any required withholding tax) that Plan Participants are due to receive will be used to purchase Plan Units of the ETF on behalf of such Plan Participants in the market and will be credited to the account of the Plan Participant through CDS.

Unitholders may elect to participate in such Reinvestment Plan by notifying the CDS Participant through which the Unitholder holds its Units of such Unitholder’s intention to participate in the Reinvestment Plan.

See “Distribution Policy – Distribution Reinvestment Plan”.

**Redemptions:** In addition to the ability to sell Units on the TSX, Unitholders may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the NAV per Unit on the effective day of redemption. The ETF will also offer additional redemption or exchange options which are available where a Dealer or Designated Broker redeems or exchanges a PNU or a multiple PNU.

See “Exchange and Redemption of Units”.

**Income Tax Considerations:** A Unitholder who is resident in Canada will generally be required to include, in computing income for a taxation year, the amount of income (including any net realized taxable capital gains) that is paid or becomes payable to the Unitholder by the ETF in that year (including such income that is reinvested in additional Units or paid in Units).

A Unitholder who disposes of a Unit of the ETF that is held as capital property, including on a redemption or otherwise, will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount payable by the ETF which represents capital gains allocated and designated to the redeeming Unitholder) net of costs of disposition, exceed (or are less than) the adjusted cost base of that Unit.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.

See “Income Tax Considerations”.

**Eligibility for Investment:** Provided that the ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units of the ETF are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), the Units of the ETF, if issued on the date hereof, would be on such date qualified investments under the Tax Act for a trust governed by an RRSP, a RRIF, an RDSP, a DPSP, an RESP, a TFSA or an FHSA.

See “Income Tax Considerations – Taxation of Registered Plans”.

**Documents Incorporated by Reference:** Additional information about the ETF is, or will be, available in the most recently filed annual and interim financial statements of the ETF and the most recently filed interim or annual management report of fund performance; and the most recently filed ETF Facts. These documents are or will be incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as

part of this document. You can obtain a copy of these documents, at your request, and at no cost, by calling at 1-416-504-9767 or by e-mail at [coil@lightwaterpartners.com](mailto:coil@lightwaterpartners.com) or by contacting your dealer. These documents are, or will be, available on the ETF's website at [www.lightwaterpartners.com](http://www.lightwaterpartners.com). These documents and other information about the ETF are, or will be, available on the internet at [www.sedarplus.com](http://www.sedarplus.com).

See "Documents Incorporated by Reference".

**Termination:** The ETF does not have a fixed termination date but may be terminated at the discretion of the Manager in accordance with the terms of the Declaration of Trust. See "Termination of the ETF".

**Risk Factors:** There are certain risks relating to an investment in the Units of the ETF which prospective investors should consider before purchasing such securities. See "Risk Factors".

### **Organization and Management of the ETF**

**The Manager, Trustee and Portfolio Manager:** Lightwater Partners Ltd., a registered portfolio manager in Ontario and an investment fund manager in Newfoundland and Labrador, Ontario and Québec, is the promoter, trustee, manager and portfolio manager of the ETF. The Manager is responsible for providing or arranging for the provision of administrative services and management functions, including the day-to-day management of the ETF. As portfolio manager, Lightwater also provides investment advisory services with respect to the ETF. The principal office of Lightwater is located at 372 Bay Street, Suite 1700, Toronto, Ontario, Canada, M5H 2W9.

See "Organization and Management Details of the ETF".

**Custodian:** TD Securities Inc. is the custodian of the ETF. The Custodian is independent of the Manager and is located in Toronto, Ontario. The Custodian provides custodial services to the ETF.

See "Organization and Management Details of the ETF – Custodian".

**Valuation Agent:** SGGG Fund Services Inc. provides accounting services in respect of the ETF pursuant to a valuation services agreement. The Valuation Agent is independent of the Manager and is located in Toronto, Ontario.

See "Organization and Management Details of the ETF – Valuation Agent".

**Auditors:** Goodman & Associates LLP is responsible for auditing the annual financial statements of the ETF. The auditor is independent with respect to the ETF within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. The head office of Goodman & Associates LLP is in Toronto, Ontario.

See "Organization and Management Details of the ETF – Auditors".

**Registrar and Transfer Agent:** TSX Trust, at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the ETF pursuant to a registrar and transfer agency agreement. The Registrar and Transfer Agent is independent of the Manager.

See "Organization and Management Details of the ETF – Registrar and Transfer Agent".

**Lending Agent:** TD Securities Inc. may act as the securities lending agent for the ETF, pursuant to a Securities Lending Agreement. The Lending Agent is independent of the Manager and is located in Toronto, Ontario.

See “Organization and Management Details of the ETF – Lending Agent”.

**Prime Broker:** TD Securities Inc., at its principal offices in Toronto, Ontario, is currently appointed to provide the ETF with prime brokerage services including, in respect of margin facilities. The Manager may also appoint additional prime brokers at its discretion.

See “Organization and Management Details of the ETF – Prime Broker”.

**Promoter:** Lightwater is the promoter of the ETF. Lightwater took the initiative in founding and organizing the ETF and is, accordingly, the promoter of the ETF within the meaning of securities legislation of certain provinces and territories of Canada.

See “Organization and Management Details of the ETF – Promoter”.

### Summary of Fees and Expenses

The following table lists the fees and expenses payable by the ETF, and the fees and expenses that Unitholders may have to pay if they invest in the ETF. Unitholders may have to pay some of these fees and expenses directly. Alternatively, the ETF may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the ETF.

#### *Fees and Expenses Payable by the ETF*

<b>Type of Charge:</b>	<b>Description</b>
<b>Management Fee:</b>	<p>The ETF pays an annual management fee of 1.00% plus HST to the Manager payable monthly in arrears based on the NAV of the Units, calculated at each Valuation Time of the ETF during that month.</p> <p>The Manager may, at its discretion, agree to charge a reduced Management Fee as compared to the fee it would otherwise be entitled to receive from the ETF with respect to large investments in the ETF by Unitholders that hold, on average during any period specified by the Manager from time to time, Units having a specified aggregate value. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. In such cases, an amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed in cash, at the discretion of the Manager, to the applicable Unitholders as Management Fee Distributions.</p>
<b>Performance Fee:</b>	<p>The Manager receives a performance fee in respect of the Units of the ETF, which is calculated and accrued for each such class each Trading Day during the relevant Performance Fee Determination Period.</p> <p>The ETF will pay the Manager a performance fee plus HST and any other applicable taxes for each Performance Fee Determination Period equal to 20% of the amount by which the Net Profit of each of the applicable class of units exceeds the Performance Hurdle, subject to the High-water Mark.</p> <p>No performance fee shall be paid in respect of a class unless the Adjusted Class NAV per unit exceeds the High-water Mark for that class and, in such circumstances, a performance fee shall only be paid on that portion of the Net Profit that exceeds the Performance Hurdle.</p>

The Manager may make such adjustments to the Class NAV per unit and/or the calculation of the performance fee as may be determined by the Manager to be necessary to account for the payment of any distributions on units, any unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the calculation of the performance fee. Any such determination shall, absent manifest error, be binding on all unitholders.

**Operating Expenses:**

In addition to the Management Fee and the performance fee, as applicable, unless otherwise waived or reimbursed by the Manager, and subject to compliance with NI 81-102, it is expected that the ETF will be responsible for the payment of all operating and administrative expenses relating to the operation of the ETF and the carrying on of its activities, including, but not limited to: (a) mailing and printing expenses for periodic reports to Unitholders, (b) fees payable to the Trustee for acting as trustee (except when the Manager is the trustee), (c) fees payable to the Prime Brokers and Registrar and Transfer Agent, as applicable, (d) fees payable to the Custodian for acting as custodian of the assets of the ETF, (e) any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the ETF, (f) IRC committee member fees and expenses in connection with the IRC, (g) expenses related to compliance with NI 81-107, (h) fees and expenses relating to voting of proxies by a third party, (i) insurance coverage for the members of the IRC, (j) fees payable to the auditors and legal advisors of the ETF, (k) regulatory filing, stock exchange and licensing fees and CDS fees, (l) banking and interest with respect to any borrowing (if applicable), (m) website maintenance costs, (n) any taxes payable by the ETF or to which the ETF may be subject, including income taxes, Sales Taxes and/or withholding taxes, (o) expenditures incurred upon termination of the ETF, (p) brokerage commissions, (q) costs and expenses of complying with all applicable laws, regulations and policies, including expenses and costs incurred in connection with the continuous public filing requirements such as permitted prospectus preparation and filing expenses, (r) extraordinary expenses that the ETF may incur and all amounts paid on account of any indebtedness (if applicable), (s) any expenses of insurance and costs of all suits or legal proceedings in connection with the ETF or the assets of the ETF or to protect the Unitholders, the Trustee, the Manager, the investment manager, any sub-advisor and the directors, officers, employees or agents of the Trustee, the Manager, the investment manager and any sub-advisor, (t) any expenses of indemnification of the Trustee, the Unitholders, the Manager, the investment manager, any sub- advisor or agents, or their respective directors, officers, employees or agents to the extent permitted under the Declaration of Trust, (u) expenses relating to the preparation, printing and mailing of information to Unitholders and relating to meetings of Unitholders, and (v) legal, accounting and audit fees and fees and expenses of the Trustee, Custodian and Manager which are incurred in respect of matters not in the normal course of the ETF's activities. If applicable, the costs of any currency hedging and derivatives will be borne by the ETF. The ETF is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the ETF which may be incurred from time to time. Costs and expenses payable by the Manager, or an affiliate of the Manager, include the initial organization costs of the ETF and the costs of the preparation and filing of the preliminary prospectus and final prospectus. See "Fees and Expenses – Fees and Expenses Payable by the ETF – Operating Expenses".

**Expenses of the Issuer:**

Apart from the initial organization costs of the ETF, all expenses related to the issuance of Units shall be borne by the ETF unless otherwise waived or reimbursed by the Manager. See "Fees and Expenses – Expenses of the Issuer".

*Fees and Expenses Payable Directly by Unitholders*

**Other Fees:**

An amount as may be agreed to between the Manager and the Designated Broker or a Dealer of the ETF may be charged by the Manager, on behalf of the ETF, to the Designated Broker and/or Dealers to offset certain transaction costs including brokerage expenses, commissions and other costs and expenses associated with the issue, exchange or redemption of Units of the ETF to or by such Designated Broker and/or Dealer.

This fee, which is payable to the ETF, does not apply to Unitholders who buy and sell their Units through the facilities of the TSX.

See “Fees and Expenses – Fees and Expenses Payable Directly by Unitholders – Other Fees”.

## **OVERVIEW OF THE LEGAL STRUCTURE OF THE ALL-CANADIAN OIL & GAS ETF**

The ETF is an exchange traded mutual fund trust established under the laws of the province of Ontario. The ETF is an “alternative mutual fund” as defined in NI 81-102.

The Units of the ETF are offered pursuant to this prospectus. The promoter, trustee, manager and portfolio manager of the ETF is Lightwater, a registered portfolio manager in Ontario and an investment fund manager in Newfoundland and Labrador, Ontario and Québec.

The ETF is considered an “alternative mutual fund” within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. Alternative mutual funds, under NI 81-102, are permitted to use strategies generally prohibited for conventional mutual funds, including the ability to invest more than 10% of their NAV in securities of a single issuer, the ability to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to employ leverage. While these specific strategies will be used in accordance with the ETF’s investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value. See “Investment Strategies – Use of Leverage” for further information.

The Units have been conditionally approved for listing on the TSX. Subject to satisfying the TSX’s original listing requirements, the Units shall be listed on the TSX and investors will be able to buy or sell such Units on the TSX on a continuous basis through registered brokers and dealers in the province or territory where the investor resides. The TSX ticker symbol for the Units is “COIL”.

Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or to the ETF in connection with the buying or selling of Units on the TSX.

The head office of the Manager and the ETF is located at 372 Bay Street, Suite 1700, Toronto, Ontario, Canada, M5H 2W9.

### **INVESTMENT OBJECTIVES**

The investment objectives of the ETF are to provide holders of Units (“**Unitholders**”) with quarterly cash distributions and the opportunity for capital appreciation by investing in securities of publicly listed companies in the Canadian oil & gas industry. Under normal market conditions, the ETF will primarily invest in equity, equity-related and fixed-income securities of publicly listed companies in the Canadian oil & gas industry.

The ETF is an “alternative mutual fund” as defined in NI 81-102 because it intends to: (i) invest more than 10% of its NAV in securities of a single issuer from time to time; (ii) borrow cash; (iii) short sell beyond the limits prescribed for conventional mutual funds; and (iv) employ leverage. The maximum aggregate exposure of the ETF to cash borrowing, short selling and specified derivatives (not including covered call options) will not exceed approximately 33% of its NAV.

The investment objectives of the ETF may not be changed except with the approval of Unitholders. See “Unitholder Matters” for additional descriptions of the process for calling a meeting of Unitholders and the requirements of Unitholder approval.

### **INVESTMENT STRATEGIES**

The ETF will seek to achieve its investment objectives by primarily holding a concentrated portfolio of equity, equity-related and fixed-income securities of companies in the Canadian oil & gas industry. It may also write covered calls (if possible, as some holdings within the portfolio may not be option eligible) to enhance yield. The ETF may also short stocks or exchange traded funds or ADRs to hedge its long positions.

The ETF intends to hold a concentrated portfolio of 10 to 20 long positions. The ETF intends to focus on publicly listed, liquid stocks but it may invest in illiquid assets from time to time. The ETF's positions will include publicly listed mid-cap Canadian stocks, which are less liquid in nature than large-cap publicly listed stocks.

The ETF may or may not have short positions to hedge some risk. The ETF, in compliance with its investment objective, may engage in short sales by borrowing securities which the portfolio manager believes are overvalued and selling them in the open market. The securities will then be repurchased at a later date and returned to the lender. The ETF may also engage in short selling in order to manage volatility or enhance its performance.

To be eligible for a long investment by the ETF, an oil & gas company will have to (i) have its headquarters located in Canada, (ii) be listed on a Canadian stock exchange, and (iii) have significant operations within Canada.

The ETF may invest in derivative instruments, such as options, futures, forward contracts and swaps, for both hedging and non-hedging purposes, in a manner which is consistent with the investment objective of the ETF and as permitted by the Canadian Securities Administrators.

#### *General Investment Strategies of the ETF*

The ETF will invest in a portfolio comprised of various securities and instruments which will primarily include equity, equity-related and fixed-income securities of publicly listed companies in the Canadian oil & gas industry. The investments of the ETF may also include, but are not limited to, debt securities, futures contracts and exchange traded funds. Equity related securities held by the ETF may include but are not limited to, ADRs, convertible debt, income trust units, single issuer equity options, preferred shares and warrants. If market conditions require, in order to preserve capital, the ETF may seek to invest a substantial portion of its assets in cash and cash equivalents.

The Manager may choose to deviate from its investment strategies by temporarily investing most or all of its assets in cash or fixed income securities when it believes that there is a greater than usual risk of market downturn or for other reasons.

#### *Covered Option Writing*

The Manager believes that option writing may have potential to add value and is an effective way to help lower the level of volatility for an investor and potentially improve returns. All other things being equal, higher volatility in the price of a security results in higher Option Premiums in respect of such security. The Manager believes that Equity Securities of the ETF are suited for a covered call writing strategy. Each month, covered call options will be written by the Manager on not more than 33% of the Equity Securities held in the ETF's portfolio. Such options will generally be at a strike price that is at-the-money but the Manager may write options that are out-of-the-money at its discretion. The extent to which any of the individual Equity Securities or other securities, as the case may be, in the ETF's portfolio are subject to option writing and the terms of such options will vary from time to time based on the Manager's assessment of the market. For certainty, the covered call options of the ETF will not be included in the ETF's aggregate calculation of leverage.

The holder of a call option purchased from the ETF will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the ETF at the strike price per security. By selling call options, the ETF will receive Option Premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the ETF will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the ETF may repurchase a call option it has written that is "in-the-money" by paying the market value of the call option. If, however, the option is "out-of-the-money" at expiration of the call option, the holder of the option will likely not exercise the option, the option will expire and the ETF will retain the underlying security. In each case, the ETF will retain the Option Premium.

The amount of Option Premium depends upon, among other factors, the volatility of the price of the underlying security: generally, the higher the volatility, the higher the Option Premium. In addition, the amount of the Option Premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the

more likely it is that the option will become “in-the-money” during the term and, accordingly, the greater the Option Premium.

When a call option is written on a security in the ETF’s portfolio, the amounts that the ETF will be able to realize on the security if it is called on termination of the call option will be limited to the dividends received prior to the exercise of the call option during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the ETF will forego potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the Option Premium. See “Risk Factors – Use of Options and Other Derivative Instruments”.

#### *Call Option Pricing*

Many investors and financial market professionals price call options based on the Black Scholes Model. In practice, however, actual Option Premiums are determined in the marketplace and there can be no assurance that the values generated by the Black Scholes Model can be attained in the market.

#### *Investment in Other Investment Funds*

In accordance with applicable Canadian securities legislation, including NI 81-102, and as an alternative to or in conjunction with investing in and holding securities directly, the ETF may also invest in one or more other investment funds. The ETF’s allocation to investments in other investment funds, if any, will vary from time to time depending on the relative size and liquidity of the investment fund, and the ability of the Manager to identify appropriate investment funds that are consistent with the ETF’s investment objectives and strategies.

#### *Use of Derivative Instruments*

The ETF may use derivative instruments to reduce transaction costs and increase the liquidity and efficiency of trading. The ETF may, from time to time, use derivatives to hedge its exposure to equity securities or to generate additional income. The ETF may invest in or use derivative instruments, including futures contracts and forward contracts, provided that the use of such derivative instruments is in compliance with NI 81-102 or the appropriate regulatory exemptions have been obtained, and is consistent with the investment objectives and strategies of the ETF.

#### *Currency Hedging*

As a portion of the ETF’s portfolio may be invested in securities traded in currencies other than the Canadian dollar, the NAV of the ETF, when measured in Canadian dollars, will, to the extent it has not been hedged against, be affected by changes in the value of these currencies relative to the Canadian dollar.

The ETF may not be fully hedged and accordingly no assurance can be given that the portfolios of the ETF will not be adversely impacted by changes in foreign exchange rates or other factors.

#### *Securities Lending*

The ETF may, in compliance with NI 81-102, lend securities to securities borrowers that are acceptable to it pursuant to the terms of a Securities Lending Agreement under which: (i) the borrower will pay to the ETF a negotiated securities lending fee (which maybe zero) and will make compensation payments to the ETF equal to any distributions received by the borrower on the securities borrowed; and (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act. The Lending Agent is responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the loaned securities and collateral on a daily basis, and ensure that the collateral at least equals the required margin percentage as set out in the Securities Lending Agreement. The securities lending revenues, net of Lending Agent fees, taxes and, if applicable, rebate payments to borrowers for cash collateral, will be credited to the account of the ETF from which the securities were borrowed.

### *Use of Leverage*

As an alternative mutual fund, the ETF may use leverage. In accordance with applicable securities regulation, leverage may be created by an alternative mutual fund through the use of cash borrowings, short sales and/or derivatives. Such securities regulations provide that an alternative mutual fund, such as the ETF, may borrow cash up to 50% of its NAV and may sell securities short, whereby the aggregate market value of the securities sold short will be limited to 50% of its NAV. The combined use of short-selling and cash borrowing by the ETF is subject to an overall limit of 50% of its NAV.

In addition, securities regulation provides that an alternative mutual fund's aggregate gross exposure, to be calculated as the sum of the following, must not exceed 300% of its NAV: (i) the aggregate market value of cash borrowing; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of specified derivatives positions excluding any specified derivatives used for hedging purposes. Leverage will be calculated in accordance with the methodology prescribed by securities laws, or any exemptions therefrom.

Notwithstanding the foregoing and such permitted legislative limits, in accordance with its investment objectives, the maximum aggregate exposure of the ETF to cash borrowing, short selling and specified derivatives (not including covered call options) will not exceed approximately 33% of its NAV. As noted, it is anticipated that such leverage will be created primarily through the use of cash borrowings.

While securities regulations provide that the ETF may borrow cash up to 50% of its NAV, the maximum cash borrowing of the ETF will not exceed approximately 33% of its NAV (in accordance with the paragraph above). Cash borrowing will be used by the ETF to invest in additional securities or for working capital. It is intended that the ETF will enter into a loan facility with one or more lenders in order to provide the ETF with the ability to utilize leverage with the intention of enhancing the ETF's total return.

Although the ETF may employ leverage of up to 33% of the ETF's NAV, there is no guarantee that the ETF will employ leverage at all times, or at all, depending on a number of factors including, but not limited to, margin requirements, collateral requirements, and subscription or redemption processes.

## **OVERVIEW OF THE SECTORS THAT THE ETF INVESTS IN**

The ETF will invest in a concentrated portfolio comprised primarily of equity, equity-related and fixed-income securities of publicly listed companies that are involved directly or indirectly in the production, distribution, development, or exploration of oil and natural gas in Canada. The Canadian oil & gas sector encompasses companies involved in production, distribution, development, or exploration of oil and natural gas in Canada. Included in the list (but not limited to) of potential investible sub-sectors are: energy services, pipelines, mid-streamers, retail distribution, production, exploration and technologies related to oil & gas.

The Manager believes that institutional investors, both domestic and international, limit their investments in the Canadian oil & gas sector to the largest, most liquid names. As a consequence, these stocks trade at higher valuation multiples than the tier immediately below them, the 'mid-cap' segment. It is in this 'mid-cap' tier that the ETF will focus, although it may hold positions in the large-cap segment when appropriate.

To be eligible for a long investment by the ETF, an oil & gas company will have to (i) have its headquarters located in Canada, (ii) be listed on a Canadian stock exchange, and (iii) have significant operations within Canada. The ETF also aims to provide capital to mid-cap companies within the oil & gas industries that are largely overlooked by larger institutional investors in recent years. Historically, these mid-cap stocks have been valued at a discount to the largest Canadian oil & gas companies and at a discount to the global super majors.

The share price performance of the oil & gas sector and market sentiment towards the oil & gas sector are highly dependent on the price of crude oil and natural gas, both globally and within Canada. As a result, the level of volatility in the sector is high. The performance of the ETF will depend on the price levels of these commodities, among many other factors such as global politics and global economic conditions.

## **INVESTMENT RESTRICTIONS**

The ETF is subject to certain investment restrictions and practices contained in Canadian securities legislation, including NI 81-102, which are designed in part to ensure that the investments of the ETF are diversified and relatively liquid and to ensure its proper administration. The investment restrictions and practices applicable to the ETF which are contained in Canadian securities legislation, including NI-81-102, may not be deviated from without the prior consent of the securities regulatory authorities having jurisdiction over the ETF.

Notwithstanding the foregoing, certain restrictions and practices that are applicable to conventional mutual funds are not applicable to the ETF because they are “alternative mutual funds”. The ETF is managed in accordance with the restrictions and practices applicable to alternative mutual funds, except as otherwise permitted by exemptions obtained from the Canadian securities regulatory authorities. The term “alternative mutual fund” includes, among others, a mutual fund that has adopted fundamental investment objectives that permit it to use or invest in specified derivatives, to borrow cash or to engage in short selling in a manner that is not permitted by other mutual funds under NI 81-102.

The investment objectives of the ETF may not be changed except with the approval of Unitholders. See “Unitholder Matters – Matters Requiring Unitholders Approval”.

Subject to the following, and any exemptive relief that has been or will be obtained, the ETF is managed in accordance with the investment restrictions and practices set out in the applicable securities legislation, including NI 81-102. See “Exemptions and Approvals”.

### **Tax Related Investment Restrictions**

The ETF will **NOT** make an investment or conduct any activity that would result in the ETF (i) failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act or (ii) being subject to the tax for “SIFT trusts” for purposes of the Tax Act. In addition, the ETF will **NOT** (i) make or hold any investment in property that would be “taxable Canadian property” (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof) if more than 10% of the ETF’s property consisted of such property; (ii) invest in or hold (a) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the ETF (or the partnership) would be required to include significant amounts in income pursuant to section 94.1 of the Tax Act, (b) an interest in a trust (or a partnership which holds such an interest) which would require the ETF (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (c) any interest in a non-resident trust other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act (or a partnership which holds such an interest); (iii) invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act; (iv) invest in any security of an issuer that would be a “foreign affiliate” of the ETF for purposes of the Tax Act; or (v) enter into any arrangement (including the acquisition of securities for the ETF’s portfolio) where the result is a “dividend rental arrangement” for purposes of the Tax Act (including any amendment to such definition).

## **FEES AND EXPENSES**

### **Fees and Expenses Payable by the ETF**

#### *Management Fee*

The ETF pays an annual management fee (the “**Management Fee**”) of 1.00% plus HST to the Manager payable monthly in arrears based on the NAV of the Units, calculated at each Valuation Time of the ETF during that month.

The Manager may, at its discretion, agree to charge a reduced Management Fee as compared to the fee it would otherwise be entitled to receive from the ETF with respect to large investments in the ETF by Unitholders that hold, on average during any period specified by the Manager from time to time, Units having a specified aggregate value. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. In such cases, an amount equal to the difference

between the fee otherwise chargeable and the reduced fee will be distributed in cash, at the discretion of the Manager, to the applicable Unitholders as management fee distributions (the “**Management Fee Distributions**”).

The availability and amount of Management Fee Distributions with respect to Units will be determined by the Manager. Management Fee Distributions for the ETF will generally be calculated and applied based on a Unitholder’s average holdings of Units over each applicable period as specified by the Manager from time to time. Management Fee Distributions will be available only to beneficial owners of Units and not to the holdings of Units by dealers, brokers or other CDS Participants that hold Units on behalf of beneficial owners. Management Fee Distributions will be paid first out of net income of the ETF, then out of capital gains of the ETF and thereafter out of capital. In order to receive a Management Fee Distribution for any applicable period, a beneficial owner of Units must submit a claim for a Management Fee Distribution that is verified by a CDS Participant on the beneficial owner’s behalf and provide the Manager with such further information as the Manager may require in accordance with the terms and procedures established by the Manager from time to time.

The Manager reserves the right to discontinue or change Management Fee Distributions at any time. The tax consequences of Management Fee Distributions made by the ETF generally will be borne by the Unitholders of the ETF receiving these distributions from the Manager.

#### *Performance Fee*

The Manager receives a performance fee in respect of the Units, which is calculated and accrued for each such class each Trading Day during the relevant Performance Fee Determination Period.

The ETF will pay the Manager a performance fee plus HST and any other applicable taxes for each Performance Fee Determination Period equal to 20% of the amount by which the Net Profit of each of the applicable class of units exceeds the Performance Hurdle, subject to the High-water Mark.

No performance fee shall be paid in respect of a class unless the Adjusted Class NAV per unit exceeds the High-water Mark for that class and, in such circumstances, a performance fee shall only be paid on that portion of the Net Profit that exceeds the Performance Hurdle.

The Manager may make such adjustments to the Class NAV per unit and/or the calculation of the performance fee as may be determined by the Manager to be necessary to account for the payment of any distributions on units, any unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the calculation of the performance fee. Any such determination shall, absent manifest error, be binding on all unitholders.

#### *Operating Expenses*

In addition to the Management Fee and the performance fee, as applicable, unless otherwise waived or reimbursed by the Manager, and subject to compliance with NI 81-102, it is expected that the ETF will be responsible for the payment of all operating and administrative expenses relating to the operation of the ETF and the carrying on of its activities, including, but not limited to: (a) mailing and printing expenses for periodic reports to Unitholders, (b) fees payable to the Trustee for acting as trustee (except when the Manager is the trustee), (c) fees payable to the Prime Brokers and Registrar and Transfer Agent, as applicable, (d) fees payable to the Custodian for acting as custodian of the assets of the ETF, (e) any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the ETF, (f) IRC committee member fees and expenses in connection with the IRC, (g) expenses related to compliance with NI 81-107, (h) fees and expenses relating to voting of proxies by a third party, (i) insurance coverage for the members of the IRC, (j) fees payable to the auditors and legal advisors of the ETF, (k) regulatory filing, stock exchange and licensing fees and CDS fees, (l) banking and interest with respect to any borrowing (if applicable), (m) website maintenance costs, (n) any taxes payable by the ETF or to which the ETF may be subject, including income taxes, Sales Taxes and/or withholding taxes, (o) expenditures incurred upon termination of the ETF, (p) brokerage commissions, (q) costs and expenses of complying with all applicable laws, regulations and policies, including expenses and costs incurred in connection with the continuous public filing requirements such as permitted prospectus preparation and filing expenses, (r) extraordinary expenses that the ETF may incur and all amounts paid on account of any indebtedness (if applicable), (s) any expenses of insurance and costs of all suits or legal proceedings in connection with the ETF or the assets of the ETF or to protect the Unitholders, the Trustee, the Manager, the investment

manager, any sub-advisor and the directors, officers, employees or agents of the Trustee, the Manager, the investment manager and any sub-advisor, (t) any expenses of indemnification of the Trustee, the Unitholders, the Manager, the investment manager, any sub-advisor or agents, or their respective directors, officers, employees or agents to the extent permitted under the Declaration of Trust, (u) expenses relating to the preparation, printing and mailing of information to Unitholders and relating to meetings of Unitholders, and (v) legal, accounting and audit fees and fees and expenses of the Trustee, Custodian and Manager which are incurred in respect of matters not in the normal course of the ETF's activities. If applicable, the costs of any currency hedging and derivatives will be borne by ETF. The ETF is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the ETF which may be incurred from time to time.

Costs and expenses payable by the Manager, or an affiliate of the Manager, include the initial organization costs of the ETF and the costs of the preparation and filing of the preliminary prospectus and final prospectus.

#### *Investments in Other Investment Funds*

Similarly, in accordance with applicable Canadian securities legislation, including NI 81-102, and as an alternative to or in conjunction with investing in and holding securities directly, the ETF may also invest in one or more other investment funds.

The ETF will **NOT** invest in any other funds managed by the Manager or its affiliates.

#### *Expenses of the Issuer*

Apart from the initial organization costs of the ETF, all expenses related to the issuance of Units shall be borne by the ETF unless otherwise waived or reimbursed by the Manager.

### **Fees and Expenses Payable Directly by Unitholders**

#### *Other Fees*

An amount as may be agreed to between the Manager and the Designated Broker or a Dealer of the ETF may be charged by the Manager, on behalf of the ETF, to the Designated Broker and/or Dealers to offset certain transaction costs including brokerage expenses, commissions and other costs and expenses associated with the issue, exchange or redemption of Units of the ETF to or by such Designated Broker and/or Dealer.

This fee, which is payable to the ETF, does not apply to Unitholders who buy and sell their Units through the facilities of the TSX.

### **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such Units:

#### *No Assurances on Achieving Investment Objective*

There is no assurance that the ETF will achieve its investment objectives. The funds available for distributions to Unitholders will vary according to, among other things, the dividends and other distributions paid on the securities in the portfolios and the value of the securities comprising the portfolio of the ETF.

#### *Loss of Investment*

An investment in the ETF is appropriate only for investors who have the capacity to absorb a loss on their investment.

*ADR risk*

Banks or other financial institutions, known as depositaries, issue depositary receipts, such as American Depositary Receipts (ADRs) that represent the value of securities issued by foreign companies. Funds invest in depositary receipts to obtain indirect ownership of foreign securities without trading on foreign markets. There is a risk that the value of the depositary receipts may be less than the value of the foreign securities. This difference can result from several factors: fees and expenses related to the depositary receipts; fluctuations in the exchange rate between the currency of the depositary receipts and the currency of the foreign securities; differences in taxes between the depositary receipts' and the foreign securities' jurisdictions; and the impact of the tax treaty, if any, between the depositary receipts' and the foreign securities' jurisdictions. Also, a fund faces the risk that depositary receipts may be less liquid, that the holders of depositary receipts may have fewer legal rights than if they held the foreign securities directly, and that the depositary may change the terms of a depositary receipt, including terminating the depositary receipt, in such a way that a fund would be forced to sell at an inopportune time.

*Borrowing risk*

An alternative mutual fund may borrow cash or securities which could magnify the impact of any movements in the prices of underlying investments and could impact the value of your investment. As a result, the gains or losses on investments realized by an alternative mutual fund may be more volatile as compared to investing in the same asset classes and securities without making use of borrowings.

In addition, from time to time the ETF may borrow cash as a temporary measure to fund the portion of a distribution payable to you that represents amounts that are owing to, but have not yet been received by, the ETF. The ETF is limited to borrowing up to the amount of the portion of the distribution that represents, in the aggregate, amounts that are payable to the ETF, but have not been received by the ETF and, in any event, not more than 5% of the net assets. There is a risk that the ETF will not be able to repay the borrowed amount because it is unable to collect the distribution from the applicable issuer. Under these circumstances, the ETF would repay the borrowed amount by disposing of portfolio assets.

*Capital depletion risk*

The ETF is designed to provide a quarterly cash flow to investors. This quarterly cash flow may be comprised of returns of capital. A return of capital means a portion of the cash flow given back to the investor is money that was invested in the ETF originally, as opposed to the returns or income generated by the investment. Returns of capital reduce the net asset value of the particular series and/or units of the ETF, as applicable. As well, returns of capital reduce the total assets of the ETF available for investment, which may reduce the ability of the ETF to generate future income. Any distribution made in excess of the ETF's cumulative income generated may represent a return of capital to you. This distribution should not be confused with "yield" or "income". Returns of capital that are not reinvested will reduce the net asset value of the ETF, which could reduce the ETF's ability to generate future income. You should not draw any conclusions about the ETF's investment performance from the amount of this distribution. Returns of capital can only be made by the ETF to the extent that there is a positive balance in the capital account for the ETF and returns of capital can only be made by series of the ETF to the extent that there is a positive balance in the capital account for the relevant series. To the extent that the balance in the capital account becomes, or is at risk of becoming zero, monthly distributions may be reduced or discontinued without prior notice.

*Capital gains risk*

The ETF has acquired, and from time to time in the future may again acquire, directly or indirectly, assets on a tax-deferred basis. These assets may have significant accrued gains for tax purposes at the time they are acquired, directly or indirectly, by the ETF and securityholders may receive capital gains dividends as a result of the realization of the accrued capital gains by the ETF.

*Convertible securities risk*

Convertible securities are subject to the risks of the price movements in debt securities and in their related equity securities. When the underlying stock price is high relative to the conversion price, the convertible security's value

will reflect more of the conversion option value and therefore will be more subject to the risk associated with the underlying security. When the underlying stock price is low relative to the conversion price, the convertible security's price will behave more like other debt securities (as the conversion option holds less value), and their related risks. A convertible security is typically less interest rate sensitive than a conventional fixed-income security and will not have the same gain or loss potential as the underlying equity.

#### *Credit risk*

Credit risk can have a negative impact on the value of a money market security or a debt security such as a bond. This risk includes:

- **Default risk**, which is the risk that the issuer of the debt will not be able to pay interest or repay the debt when it is due. Generally, the greater the risk of default, the lower the quality of the debt security.
- **Credit spread risk**, which is the risk that the difference in interest rates (called credit spread) between the issuer's bond and a bond considered to have little associated risk (such as a treasury bill or other government issued debt security) will increase. An increase in credit spread decreases the value of a debt security.
- **Downgrade risk**, which is the risk that a specialized credit rating agency will reduce the credit rating of an issuer's securities. A downgrade in credit rating or adverse news regarding an issuer can decrease the value of a debt security.
- **Collateral risk**, which is the risk that it will be difficult to sell the assets the issuer has given as collateral for the debt or that the assets may be deficient. This difficulty could cause a significant decrease in the value of a debt security.

#### *Oil and Gas Risk*

The ETF may be subject to a number of risks specific to the oil and gas sector, such as: (i) changes in industrial, government and consumer demand, which will be affected by levels of industrial and commercial activities that are associated with high levels of oil and gas demand; (ii) price changes in alternative sources of energy; (iii) disruptions in the supply chain or in the production or supply of oil and gas sources; (iv) adjustments to inventories; (v) variations in production and shipping costs; and (vi) costs associated with regulatory compliance, including environmental regulations. These factors interrelate in complex ways, and the effect of one factor on a fund and the value of its units may increase or reduce the effect of another factor.

#### *Inflation risk*

Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money. As inflation increases, the present value of a fund's assets and distributions, if any, may decline.

#### *Liquidity risk*

A liquid asset trades on an organized market, such as a stock exchange, which provides price quotations for the asset. The use of an organized market means that it should be possible to convert the asset to cash at, or close to, the quoted price. An asset is considered illiquid if it is more difficult to convert it to a liquid investment, such as cash. A company's securities may be illiquid if:

- the company is not well known;
- there are few outstanding securities;
- there are few potential buyers; or

- they cannot be resold because of a legal requirement, promise or an agreement.

A security issued by a government may also be illiquid to the extent there is not a well-developed market for a particular security. The value of the ETF that, directly or indirectly, holds illiquid securities may rise and fall substantially because the ETF may not be able to sell the securities for the value that we use in calculating the NAV of the ETF. There are restrictions on the amount of illiquid securities the ETF may hold (directly or indirectly).

#### *Performance fee risk*

The ETF may pay a performance fee to the Manager. The performance fee theoretically may create an incentive for the Manager to make investments that are riskier than would be the case if such fee did not exist. In addition, because the performance fee is calculated on a basis that includes unrealized appreciation of the ETF's assets, it may be greater than if such compensation were based solely on realized gains. Since the performance fee is calculated on a daily basis, there could be reporting periods where the ETF experiences negative performance but still pays a performance fee. Please see "Fees and Expenses" for additional information about performance fees.

#### *Regulatory risk*

Regulatory risk is the potential revenue impact on a company due to laws, regulation and policies of regulatory agencies. Governmental or regulatory permits and approvals may be required to proceed with planned projects. Any delay or failure in achieving the required permits or approvals would reduce the company's growth prospects.

#### *Prime broker risk*

Some of the assets of the ETF may be held in one or more margin accounts due to the fact that the ETF may borrow cash for investment purposes, sell securities short and post margin as collateral for specified derivatives transactions. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The broker may also lend, pledge or hypothecate the ETF's assets in such accounts as collateral, which may result in a potential loss of such assets. As a result, the ETF's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the broker experiences financial difficulty. In such case, the ETF may experience losses due to insufficient assets at the broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded.

#### *Multi-Class Structure Risk*

The units of the ETF may be made available in multiple classes or series. As such, if the ETF cannot pay the expenses or satisfy the obligations entered into by the ETF for the sole benefit of one of those classes of units using that class of units' proportionate share of the assets, the ETF may have to pay those expenses or satisfy those obligations out of another class of units' proportionate share of the assets, which would lower the investment return of such other class of units. In addition, a creditor of the ETF may seek to satisfy its claim from the assets of the ETF as a whole, even though its claim or claims relate only to a particular class of units.

#### *Transaction costs risk*

The investment strategy used may result in the ETF having a higher portfolio turnover rate. Portfolio turnover refers to the frequency of portfolio transactions and the percentage of portfolio assets being bought and sold during the year, and a high rate of portfolio turnover may increase overall costs and income generated by the investment. Returns of capital reduce the net asset value of the particular series and/or units of the ETF, as applicable. As well, returns of capital reduce the total assets of the ETF available for investment, which may reduce the ability of the ETF to generate future income. Any distribution made in excess of the ETF's cumulative income generated may represent a return of capital to you. This distribution should not be confused with "yield" or "income". Returns of capital that are not reinvested will reduce the net asset value of the ETF, which could reduce the ETF's ability to generate future income. You should not draw any conclusions about the ETF's investment performance from the amount of this distribution. Returns of capital can only be made by the ETF to the extent that there is a positive balance in the capital account for the ETF. To the extent that the balance in the capital account becomes, or is at risk of becoming zero, monthly distributions may be reduced or discontinued without prior notice.

### *Securities Market Risk*

The value of most securities, including the ETF's portfolio securities, changes with securities market conditions. These conditions are affected by general economic and market conditions.

### *Sector Risk*

The ETF will invest in the oil and gas sector of the stock market. Investing in one specific sector of the stock market entails greater risk than investing in all sectors of the stock market. If the oil and gas sector declines or falls out of favour, the share values of most or all of the companies in that sector will generally fall faster than the market as a whole. The sector can be significantly affected by, among other things, supply and demand, speculation, international political and economic developments, energy conservation, environmental issues, increased competition from other providers of services, commodity prices, regulation by government authorities, government regulation of rates charged to customers, service interruption due to environmental, operational or other mishaps, changes in laws, regulatory policies and accounting standards, and general changes in market sentiment. Exposure to equity securities that have exposure to commodity markets may entail greater volatility than traditional securities. The value of securities exposed to commodity markets may be affected by commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity.

The ETF's NAV is expected to vary with changes in the price of oil and related commodities and/or changes in the prices of equity securities of companies in the oil and broader energy sector. Oil prices, energy prices and the prices of related commodities can change quickly. Because the energy industry is sensitive to changes in the global economy and because the economy is cyclical, the demand for energy industry products also moves in cycles which will affect the share price of issuers in this sector.

### *Specific Issuer Risk*

Performance of the ETF depends on the performance of the individual securities to which the ETF has exposure. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

### *Concentration Risk*

The ETF may, in following its investment objective, have more of its net assets invested in one or more issuers than is permitted for many investment funds. In these circumstances, the ETF may be affected more by the performance of individual issuers in its portfolio or the portfolio of the applicable underlying exchange traded fund, with the result that the ETF's NAV may be more volatile and may fluctuate more over short periods of time than the NAV of a more broadly diversified investment fund. In addition, this may increase the ETF's liquidity risk which may, in turn, have an effect on the ETF's ability to satisfy redemption requests.

### *Equity Risk*

Equities such as common shares give the holder thereof part ownership in a company. The value of Equity Securities change with the fortunes of the company that issued them. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the Equity Securities of an issuer can also be affected by equity risk.

### *General Regulatory Risk*

Legal, tax and regulatory changes may occur that may adversely affect the ETF and which could make it more difficult, if not impossible, for the ETF to operate or to achieve its investment objectives. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the ETF and what can be done, if anything, to try and limit such impact.

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

#### *Corresponding NAV Risk*

The Units may trade below, at, or above their NAV per Unit. The NAV per Unit will fluctuate with changes in the market value of the ETF's holdings. The trading price of the Units will fluctuate in accordance with changes in the ETF's NAV per Unit, as well as market supply and demand on the TSX. However, given that Dealers may subscribe for or exchange a PNU of the ETF at the applicable NAV per Unit, the Manager expects that large discounts or premiums to the NAV per Unit should not be sustained.

#### *Fluctuations in NAV and Market Price of the Units*

Units of the ETF may trade in the market at a premium or discount to the NAV and there can be no assurance that Units will trade at a price equal to the NAV. The NAV per Unit will fluctuate with changes in the market value of the ETF's holdings. Whether Unitholders of the ETF will realize gains or losses upon a sale of Units will depend not upon the NAV but entirely upon whether the market price of Units at the time of sale is above or below the Unitholder's purchase price for the Units. The market price of the Units will be determined by factors in addition to NAV such as relative supply of and demand for the Units in the market, general market and economic conditions, and other factors. However, given that Dealers may subscribe for or exchange a PNU of the ETF at the applicable NAV per Unit, the Manager expects that large discounts or premiums to the NAV per Unit will not be sustained.

#### *Designated Broker/Dealer Risk*

As the ETF will only issue Units directly to the Designated Broker and Dealers, in the event that a purchasing Designated Broker or Dealer is unable to meet its settlement obligations, the resulting costs and losses incurred will be borne by the ETF.

#### *Reliance on the Manager*

Unitholders will be dependent on the abilities of the Manager to effectively manage the ETF in a manner consistent with its investment objectives, investment strategies and investment restrictions. The investment portfolio of the ETF will be managed by the Manager. The Manager will apply investment techniques and risk analyses in making investment decisions for the ETF but there can be no guarantee that these decisions will produce the desired results. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to the ETF will continue to be employed by the Manager or its affiliates, as applicable.

#### *Reliance on Key Personnel*

Unitholders depend on the abilities of the Manager to effectively administer the affairs of the ETF. The Manager depends, to a great extent, on a very limited number of individuals in the administration of its activities as manager of the ETF. The loss of the services of any one of these individuals for any reason could impair the ability of the Manager to perform its duties as manager on behalf of the ETF.

#### *Potential Conflicts of Interest*

Lightwater, and its directors and officers and affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts that invest primarily in the securities held by the ETF. Although officers, directors and professional staff of Lightwater and its affiliates will devote as much time to the ETF as is deemed appropriate to perform their respective duties, such persons may have conflicts in allocating their time and services among the ETF and the other funds managed by them.

### *No Ownership Interest in the Portfolio*

An investment in Units of the ETF does not constitute an investment by Unitholders in the securities or cash and cash equivalents included in the ETF's portfolio. Unitholders do not own the securities or cash or cash equivalents held by the ETF.

### *Cease Trading of Securities Risk*

If the securities of an issuer included in the portfolio of the ETF are cease-traded by order of the relevant securities regulatory authority or are halted from trading by the relevant stock exchange, the ETF may halt trading in its securities. Accordingly, securities of the ETF bear the risk of cease trading orders against all issuers whose securities are included in the portfolio, not just one. If portfolio securities of the ETF are cease-traded by order of a securities regulatory authority, if normal trading of such securities is suspended on the relevant exchange, or if for any reason it is likely there will be no closing bid price for such securities, the ETF may suspend the right to redeem securities for cash, subject to any required prior regulatory approval. If the right to redeem securities for cash is suspended, the ETF may return redemption requests to securityholders who have submitted them. If securities are cease-traded, they may not be delivered on an exchange of a PNU for a Basket of Securities until such time as the cease-trade order is lifted.

### *Cyber Security Risk*

Cyber security risk is the risk of harm, loss and liability resulting from a failure or breach of information technology systems. Failures or breaches of the information technology systems ("**Cyber Security Incidents**") can result from deliberate attacks or unintentional events and may arise from external or internal sources. Deliberate cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Deliberate cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

The primary risks to the ETF from the occurrence of a Cyber Security Incident include disruption in operations, reputational damage, disclosure of confidential information, the incurrence of regulatory penalties, additional compliance costs associated with corrective measures and/or financial loss. Cyber Security Incidents of the ETF's third party service providers (e.g. administrators, transfer agents, custodians and sub-custodians) or issuers that the ETF invests in can also subject the ETF to many of the same risks associated with direct Cyber Security Incidents. The ETF and its Unitholders could be negatively impacted as a result.

### *Exchange Risk*

In the event that the TSX closes early or unexpectedly on a day that it is normally open for trading, Unitholders will be unable to purchase or sell Units on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the exchange and redemption of Units may be suspended until the TSX reopens.

### *Early Closing Risk*

Unanticipated early closings of a stock exchange on which securities held by the ETF are listed may result in the ETF being unable to sell or buy securities on that day. If such exchanges close early on a day when the ETF need to execute a high volume of securities trades late in the Trading Day, the ETF may incur substantial trading losses.

### *Illiquid Securities*

There is no assurance that an adequate market will exist for the securities in the ETF's portfolio. The Manager may be unable to acquire or dispose of securities in quantities or at prices which are acceptable to the Manager, if the market for such securities is illiquid. The value of securities which are not regularly traded will generally be subject to greater fluctuation and potential delays in sale or settlement.

In addition, in volatile markets, debt securities that are generally liquid (including high-yield bonds, floating rate debt investments and other fixed income securities) may suddenly become illiquid. For example, liquidity risk may be magnified in a rising interest rate environment in which investor trading may be higher than normal. If an auction fails for an auction rate security, there may be no secondary market for the security and the ETF may be forced to hold the security until the security is refinanced by the issuer or a secondary market develops. To the extent the ETF holds a material percentage of the outstanding debt securities of an issuer, this practice may impact adversely the liquidity and market value of those investments.

#### *Risk of Volatile Markets and Market Disruptions Risk*

The ETF's investments are subject to changes in general economic conditions, general market fluctuations and the risks inherent in investment in securities markets. Investment markets can be volatile and prices of investments can change substantially due to various factors including, but not limited to, economic growth or recession, changes in interest rates, changes in actual or perceived creditworthiness of issuers and general market liquidity. Even if general economic conditions do not change, the value of an investment in the ETF could decline if the particular industries, sectors or issuers in which the ETF invest do not perform well or are adversely affected by events. Further, legal, political, regulatory and tax changes also may cause fluctuations in markets and securities prices. In addition, unexpected and unpredictable events such as war and occupation, a widespread health crisis or global pandemic, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally, including U.S., Canadian and other economies and securities markets. The effects of these or similar events on the economies and securities markets of countries cannot be predicted. For example, the spread of the coronavirus disease (COVID-19) caused volatility in the global financial markets, resulted in significant disruptions to global business activity and caused a slowdown in the global economy. These events could also have an acute effect on individual issuers or related groups of issuers. Such impacts could also cause substantial market volatility, exchange trading suspensions and closures, affect the ETF's performance and significantly reduce the value of an investment in Units. The ETF is therefore exposed to some, and at times, a substantial, degree of market risk.

#### *Currency Risk*

As a portion of the ETF's portfolio may be invested in securities traded in currencies other than the Canadian dollar, the NAV of the ETF, when measured in Canadian dollars, will, to the extent it has not been hedged against, be affected by changes in the value of these currencies relative to the Canadian dollar.

The ETF may not be fully hedged and accordingly no assurance can be given that the portfolios of the ETF will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the ETF if the expectations of the Manager and its affiliates concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

#### *Nature of the Units*

The Units share certain attributes common to both Equity Securities and debt instruments. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a fractional interest in the assets of the ETF. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

#### *Tax Risks*

It is anticipated that the ETF will qualify, or will be deemed to qualify, at all times as a "mutual fund trust" within the meaning of the Tax Act. For the ETF to qualify as a "mutual fund trust," it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders and the dispersal of ownership of a particular class of its Units.

A trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless, at that time, all or substantially all of its property is property other than property that would be “taxable Canadian property” (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met. Provided the ETF complies with the investment restrictions set forth under the heading “Investment Restrictions – Tax Related Investment Restrictions”, no more than 10% of the fair market value of the ETF’s assets will at any time consist of property that would be “taxable Canadian property” (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The Declaration of Trust for the ETF also contains a restriction on the number of permitted non-resident Unitholders.

The ETF has met the requirements to qualify as a “mutual fund trust” for the purposes of the Tax Act. If the ETF were to cease to qualify as a mutual fund trust, the income tax considerations as described under “Income Tax Considerations” would in some respects be materially and adversely different in respect of that ETF.

There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects Unitholders.

In determining its income for tax purposes, the ETF treat gains and losses on dispositions of securities in its portfolio as capital gains and losses. Generally, the ETF include gains and deduct losses on income account in connection with investments made through certain derivatives, except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage. In addition, gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the ETF’s portfolio will likely constitute capital gains and capital losses to the ETF if the portfolio securities are capital property to the ETF and there is sufficient linkage. The ETF may engage in a covered call strategy, and the Manager expects that the option premiums received on the writing of covered call options and any gains or losses sustained on closing out such options as capital gains and capital losses in accordance with the CRA’s published administrative policies, and that any underlying fund will make the appropriate designations such that net taxable capital gains realized by the underlying fund that are paid or payable by the trust to the ETF will effectively retain their character in the hands of the ETF. Designations with respect to the ETF’s income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If some or all of the transactions undertaken by the ETF (or an underlying fund) in respect of such dispositions or transactions were treated on income rather than capital account (whether because of the DFA Rules discussed below or otherwise), the net income of the ETF for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the ETF being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV of, or trading prices of, the Units.

The Tax Act contains rules (the “**DFA Rules**”) that target financial arrangements (referred to as “derivative forward agreements”) that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests). The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain option contracts). If the DFA Rules were to apply in respect of derivatives utilized by the ETF (or an underlying fund), gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. Provided a covered call option is written by the ETF in the manner described in “Investment Strategies – Covered Option Writing”, the writing of such call option will not generally be subject to the DFA Rules.

Pursuant to rules in the Tax Act, if the ETF experiences a “loss restriction event” (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the ETF’s net income and net realized capital gains, if any, at such time to Unitholders so that the ETF is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the ETF will be subject to a loss restriction event if a Unitholder becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the ETF, as those terms are defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of the ETF is a beneficiary in the income or capital, as the case

may be, of the ETF whose beneficial interests, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, have a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the ETF. Please see “Income Tax Considerations – Taxation of Holders” for the tax consequences of an unscheduled or other distribution to Unitholders. Trusts that qualify as “investment funds” as defined in the rules in the Tax Act relating to loss restriction events are generally excepted from the application of such rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Tax Act, not using any property in the course of carrying on a business and complying with certain asset diversification requirements. If the ETF were not to qualify as an “investment fund”, it could potentially have a loss restriction event and thereby become subject to the related tax consequences described above.

The Tax Act contains rules (the “**SIFT Rules**”) concerning the taxation of publicly traded Canadian trusts and partnerships (i.e., “SIFT trusts” and “SIFT partnerships”) that own certain types of property defined as “non-portfolio property”. For this purpose, “non-portfolio property” includes any property held by a publicly traded Canadian trust that the trust uses in the course of carrying on a business in Canada. The ETF intends to take the position that it will not use its portfolio securities or any other property in the course of carrying on a business in Canada and therefore will not be a SIFT trust. A trust that is subject to the SIFT Rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust’s income earned from “non-portfolio property” to the extent that such income is distributed to its unitholders. Further, pursuant to recent amendments to the Tax Act (the “**Equity Repurchase Rules**”), a trust that is a “SIFT trust” or that is otherwise a “covered entity” as described in the Equity Repurchase Rules is subject to a 2% tax on the value of certain equity repurchases (i.e., redemptions) by the trust in a taxation year (net of cash subscriptions received by the trust in that taxation year). However, provided that certain Tax Amendments released on August 12, 2024 are enacted as proposed, redemptions of Units of the ETF for an amount that does not exceed the net asset value attributable to such Units would generally not be included in the calculation of such tax. If the ETF (or an underlying fund in which a ETF invests) is subject to tax under the SIFT Rules or the Equity Repurchase Rules, the after-tax return to the Unitholders of the ETF could be reduced, particularly in the case of the SIFT Rules for a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada. No advance income tax ruling has been sought or obtained from the CRA in respect of the status of the ETF and the CRA could seek to assess or re-assess the ETF (and Unitholders of that ETF) on the basis that the ETF is a SIFT trust or a covered entity. Changes in the interpretation and administration of GST/HST may result in the ETF being required to pay increased amounts of GST/HST.

In certain circumstances, the deductibility of interest on money borrowed to invest in certain trusts may be reduced on a pro rata basis in respect of distributions from such trusts that are a return of capital and that are not reinvested for an income earning purpose. Accordingly, part of the interest payable by the ETF in connection with money borrowed to acquire units of an underlying fund could be non-deductible, increasing the net income of the ETF for tax purposes and the amount of income to be distributed each year to its Unitholders. Further, recent amendments to the Tax Act (the “**EIFEL Rules**”) generally limit the deductibility of interest and financing expenses of a Canadian resident corporation or trust that is not an “excluded entity” to a fixed ratio of tax EBITDA (as calculated in accordance with the EIFEL Rules). If the EIFEL Rules apply to the ETF, the amount of interest and other financing expenses otherwise deductible by the ETF may be reduced and the taxable component of distributions by the ETF to its Unitholders may be increased accordingly. The Manager is reviewing the impact, if any, of the EIFEL Rules on the ETF.

#### *Short-selling risk*

The ETF may, directly or indirectly, engage in a disciplined amount of short selling. A “short sale” is where the ETF, directly or indirectly, borrows securities from a lender and then sells the borrowed securities (or “sells short” the securities) in the open market. At a later date, the same number of securities are repurchased, directly or indirectly, by the ETF and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the ETF, directly or indirectly, pays compensation to the lender. If the value of the securities declines between the time that the ETF, directly or indirectly, borrows the securities and the time it, directly or indirectly, repurchases and returns the securities, the ETF makes a profit for the difference (less any compensation the ETF pays to the lender). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the compensation, directly or indirectly, paid by the ETF and make a profit for the ETF, and securities sold short may instead increase in value. The ETF may also experience difficulties, directly or indirectly, repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from

whom the ETF has borrowed securities may go bankrupt and the ETF may lose the collateral it has, directly or indirectly, deposited with the lender. Each Fund that engages in short selling adheres to controls and limits that are intended to offset these risks by selling short only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The ETF also, directly or indirectly, deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

#### *Substantial securityholder risk*

The ETF may have one or more investors who hold a significant number of securities. For example, two financial institutions may have a significant principal investment. If a financial institution makes a large redemption request, the ETF may be required to sell underlying portfolio assets so that it can meet the redemption obligations. This sale may impact the market value of those portfolio investments and it may potentially impact remaining investors of the ETF. Large redemption requests for institutional investors could force the ETF to terminate. The ETF may agree with the large institutional investor to make part of the redemptions in-kind, by transferring assets of an equal value to the large redeeming investor, if assets of the ETF cannot be sold at advantageous prices without a significant impact to the value of the asset.

#### *Valuation of the ETF*

Valuation of the ETF may involve uncertainties and judgement determinations, and, if such valuations should prove to be incorrect, the NAV of the ETF could be adversely affected. The Manager may face a conflict of interest in valuing the securities held by the ETF because the values assigned will affect the calculation of the Management Fee and the performance fee payable by the ETF to it.

#### *Global Financial Developments Risk*

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

#### *Sensitivity to Interest Rate Fluctuations*

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

#### *Reliance on Historical Data Risk*

Past trends may not be repeated in the future. The accuracy of the historical data used by the Manager and those individuals who are principally responsible for providing administration and portfolio management services to the ETF for research and development, which is often provided by third parties, cannot be guaranteed by the Manager. The Manager only seeks to obtain such data from companies that it believes to be highly reliable and of high reputation.

### *Risk of No Active Market for the Units*

Although the ETF shall be listed on the TSX, there can be no assurance that an active public market for the Units will continue to develop or be sustained.

### *Liability of Unitholders*

The Declaration of Trust provides that no Unitholder will be subject to any personal liability whatsoever, in tort, contract or otherwise, to any party in connection with the assets of the ETF or the obligations or the affairs of the ETF. The Declaration of Trust also provides that the ETF must indemnify and hold each Unitholder harmless from and against any and all claims and liabilities to which such Unitholder may become subject, by reason of being or having been a Unitholder and must reimburse such Unitholder for all legal and other expenses reasonably incurred in connection with any such claim or liability. Despite the foregoing, there can be no absolute certainty, outside of Ontario, that a claim will not be made against a Unitholder for liabilities which cannot be satisfied out of the assets of the ETF.

### *Risks Associated with Not Being a Trust Company*

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

### *Lack of Operating History and Absence of an Active Market*

The ETF is a newly organized mutual fund trust with no operating history. The Units have been conditionally approved for listing on the TSX. Subject to satisfying the TSX’s original listing requirements, the Units shall be listed on the TSX and investors will be able to buy or sell such Units on the TSX on a continuous basis through registered brokers and dealers in the province or territory where the investor resides. There is no assurance that an active public market for the Units will develop or be sustained.

### *Exchange Traded Funds Risk*

The ETF may invest in exchange traded funds that seek to provide returns similar to the performance of a particular market index or industry sector index. Any such exchange traded fund may not achieve the same return as its benchmark market or industry sector index due to differences in the actual weightings of securities held in the ETF versus the weightings in the relevant index and due to the operating and administrative expenses of the ETF.

### *Alternative Mutual Fund Risk*

The ETF is an alternative mutual fund, which means that it uses investment strategies that are generally prohibited by other types of conventional mutual funds. An alternative mutual fund, unlike a conventional mutual fund, has the ability to invest more than 10% of its NAV in securities of a single issuer, the ability to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to employ leverage. While these specific strategies will be used in accordance with the ETF’s investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value. See “Investment Strategies – Use of Leverage” for further information.

### *Fixed Income Investment Risk*

An investment in the ETF, which may hold fixed-income securities, will generally decrease in value when interest rates rise and will increase in value when interest rate decline. Securities with longer durations tend to be more interest rate sensitive, which may make them more volatile than securities with shorter duration. Changes in the general level of long-term interest rates will have a greater effect on the ETF as it will invest generally invest in exchange traded mutual funds that invest in U.S. treasury bonds with average durations greater than 10 years.

### *Rebalancing and Subscription Risk*

Adjustments to Baskets of Securities held by the ETF to reflect rebalancing events, including adjustments as determined by the Manager, will depend on the ability of the Manager and the Designated Broker to perform their respective obligations under the Designated Broker Agreement. If the Designated Broker fails to perform, the ETF may be required to sell or purchase, as the case may be, securities in the market. If this happens, the ETF would incur additional transaction costs, which would cause the performance of the ETF to deviate more significantly from the performance of the Index than would otherwise be expected.

### *Risks Associated with a Covered Call Option Strategy*

The Manager believes that option writing may have potential to add value and is an effective way to help lower the level of volatility for an investor and potentially improve returns. All other things being equal, higher volatility in the price of a security results in higher Option Premiums in respect of such security. The Manager may employ a covered call writing strategy. Such options will generally be at a strike price that is at-the-money but the Manager may write options that are out-of-the-money at its discretion. The extent to which any of the individual securities in the ETF's portfolio are subject to option writing and the terms of such options will vary from time to time based on the Manager's assessment of the market.

The holder of a call option will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the ETF at the strike price per security. By selling call options, the ETF will receive Option Premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the ETF will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the ETF may repurchase a call option it has written that is "in-the-money" by paying the market value of the call option. If, however, the option is "out-of-the-money" at expiration of the call option, the holder of the option will likely not exercise the option, the option will expire and the ETF will retain the underlying security. In each case, the ETF will retain the Option Premium.

The amount of Option Premium depends upon, among other factors, the volatility of the price of the underlying security: generally, the higher the volatility, the higher the Option Premium. In addition, the amount of the Option Premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become "in-the-money" during the term and, accordingly, the greater the Option Premium.

When a call option is written on a security in the ETF's portfolio, the amounts that the ETF will be able to realize on the security if it is called on termination of the call option will be limited to the dividends received prior to the exercise of the call option during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the ETF will forego potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the Option Premium.

### *Risks of Suspended Subscriptions*

To meet its investment objective, the ETF may borrow cash from a Prime Broker to purchase additional equity investments. If the ETF experiences a significant increase in total NAV, a Prime Broker may be unwilling to lend additional cash to the ETF and as a result, the Manager may, at its sole discretion and if determined to be in the best interests of Unitholders, decide to suspend subscriptions for new Units if considered necessary or desirable in order to permit the ETF to achieve, or continue to achieve, its investment objectives. During a period of suspended subscriptions, if any, investors should note that Units of the ETF are expected to trade at a premium or substantial premium to the ETF's NAV. During such periods, investors are strongly discouraged from purchasing Units of the ETF on a stock exchange. Any suspension of subscriptions or resumption of subscriptions will be announced by press release and announced on the Manager's website.

### *Small and Micro-Capitalization Issuer Risk*

Capitalization is a measure of the value of a company. It is the current price of a company's stock multiplied by the number of shares issued by the company. Companies with small and micro capitalization may not have a well-developed market for their securities. As a result, such securities may be difficult to trade, making their prices more volatile than those of large capitalization companies.

### *Securities Lending Risk*

The ETF may enter into securities lending transactions to generate additional income from securities held in the ETF's portfolio. In lending its securities, the ETF is exposed to the risk that the borrower may not be able to satisfy its obligations under the securities lending agreement and the lending ETF is forced to take possession of the collateral held. Losses could result if the collateral held by the ETF is insufficient, at the time the remedy is exercised, to replace the securities borrowed. To address these risks, any securities lending transactions entered into by the ETF will comply with applicable securities laws, including the requirement that each agreement be, at a minimum, fully collateralized by investment grade securities or cash with a value of at least 102% of the market value of the securities subject to the transaction. The ETF will enter into securities lending transactions only with parties that the Manager believes, through conducting credit evaluations, have adequate resources and financial ability to meet their obligations under such agreements. Prior to entering into a securities lending agreement, the ETF must ensure that the aggregate value of the securities loaned, together with those that have been sold pursuant to repurchase transactions, does not exceed 50% of the NAV of the ETF immediately after the ETF enters into the transaction.

### *Use of Leverage*

Leverage occurs when the ETF's exposure to underlying assets is greater than the ETF's NAV. It is an investment technique that can magnify gains and losses. Leverage should cause the ETF to lose more money in market environments adverse to its investment objective than an exchange traded fund that does not employ leverage. Using leverage involves special risks and should be considered to be speculative.

Leverage may increase volatility, may impair the ETF's liquidity and may cause it to liquidate positions at unfavourable times. In accordance with applicable securities legislation, as an alternative mutual fund, the ETF is subject to a gross aggregate exposure limit of 300% of its NAV which is calculated by adding together the market value of its short positions, the value of any outstanding cash borrowing and the aggregate notional value of its specified derivatives positions that are not entered into for hedging purposes.

This leverage calculation must be determined on a daily basis. However, and notwithstanding such permitted legislative limits, in accordance with its investment objectives, the ETF's aggregate leverage will not exceed approximately 33% of its NAV.

Although the ETF generally intends to employ leverage of up to 33% of the ETF's NAV, there is no guarantee that the ETF will employ leverage at all times, or at all, depending on a number of factors including margin requirements, collateral requirements, and subscription or redemption processes, among other reasons.

### *Use of Options and Other Derivative Instruments*

The ETF is subject to the full risk of its investment position in the securities comprising its portfolio, including those securities that are subject to outstanding call options, should the market price of such securities decline. In addition, the ETF will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options.

The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in such securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk and trading execution risk. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

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

In purchasing call options or entering into forward contracts, as applicable, the ETF is subject to the credit risk that its counterparty (a clearing corporation, in the case of exchange traded instruments) may be unable to meet their obligations. In addition, there is risk of loss by the ETF of margin deposits in the event of the bankruptcy of the dealer with whom the ETF has an open position in an option. The ability of the ETF to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the ETF is unable to close out a position it will be unable to realize its profit or limit their losses until such time as the option becomes exercisable or expires. The inability to close out options, futures and forward positions could also have an adverse impact on the ETF’s ability to use derivatives instruments to effectively hedge its portfolio or implement its investment strategies.

The use of options may have the effect of limiting or reducing the total returns of the ETF. In addition, the income associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the securities comprising the portfolio. In such an event, the ETF would have to increase the percentage of its portfolio that is subject to covered call options in order to meet its targeted distributions.

#### *Risk Rating of the ETF*

The investment risk level of the ETF is required to be determined in accordance with a standardized risk classification methodology that is based on the historical volatility of the ETF, as measured by the 10-year standard deviation of the returns of the ETF. Standard deviation is used to quantify the historical dispersion of returns around the average returns over a recent 10-year period. In this context, it can provide an indication of the amount of variability of returns that occurred relative to the average return over the 10-year measurement period. The higher the standard deviation of an ETF, the greater the range of returns it experienced in the past. In general, the greater the range of observed or possible returns, the higher the risk.

As the ETF does not have at least 10 years of performance history, the Manager estimates the investment risk level of the ETF using a reference index that most closely approximates the standard deviation of the ETF for the remainder of the 10-year period. Once the ETF has 10 years of performance history, the methodology will calculate the standard deviation of the ETF using the return history of the ETF rather than that of the reference index. The ETF is assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk.

The reference index used for the ETF is the S&P/TSX Capped Energy Total Return Index.

Unitholders should know that other types of risks, both measurable and non-measurable, exist. Also, just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. The Manager may underweight or overweight certain sub-sectors within the energy sector, when deemed appropriate. This may result in the ETF’s portfolio weightings being substantially different from the weightings of the reference Index. The Manager has assigned the ETF a risk-rating of High. The risk ratings of the ETF are reviewed annually and anytime it is no longer reasonable in the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk ratings of the ETF is available on request, at no cost, by calling (416) 504-9767 or by writing to the Manager at 372 Bay Street, Suite 1700, Toronto, Ontario, Canada, M5H 2W9.

### **DISTRIBUTION POLICY**

Any cash distributions on the Units of the ETF are expected to be made on a quarterly basis.

It is anticipated that distributions will be paid on or before the 15th day of the month following the month or calendar year in which the distribution is payable. The ETF does not have a fixed distribution amount. The amount of ordinary

cash distributions, if any, will be based on the Manager's assessment of the prevailing market conditions. The amount and date of any ordinary cash distributions of the ETF will be announced in advance by issuance of a press release.

Distributions on the Units may consist of income, including foreign source income and dividends from taxable Canadian corporations, and capital gains, less the expenses of the ETF and may include returns of capital. Distributions will be paid in Canadian dollars.

### **Year-End Distributions**

If in any taxation year, after regular distributions, there would remain in the ETF additional net income or net realized capital gains, the ETF will be required to pay or make payable such net income and net realized capital gains as one or more special year-end distributions in such year to Unitholders as is necessary to ensure that the ETF will not be liable for income tax on such amounts under Part I of the Tax Act (after taking into account all available deductions, credits and refunds). Such special distributions may be paid in the form of Units and/or cash. Any special distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder's Units. Immediately following payment of such a special distribution in Units, the number of Units outstanding will be automatically consolidated such that the number of Units held by a Unitholder after such distribution will be equal to the number of Units held by such Unitholder immediately prior to such distribution, except in the case of a non-resident Unitholder to the extent tax is required to be withheld in respect of the distribution. See "Income Tax Considerations".

### **Distribution Reinvestment Plan**

The Manager has adopted a Reinvestment Plan in respect of the ETF. Pursuant to the applicable Reinvestment Plan, a Plan Participant may elect to automatically reinvest all cash distributions (net of any required withholding tax) paid on Units held by that Plan Participant in Plan Units of the ETF in accordance with the terms of the Reinvestment Plan (a copy of which is available through your broker or dealer). Cash distributions (net of any required withholding tax) that Plan Participants are due to receive will be used to purchase Plan Units on behalf of such Plan Participants in the market and will be credited to the account of the Plan Participant through CDS.

Unitholders may elect to participate in such Reinvestment Plan by notifying the CDS Participant through which the Unitholder holds its Units of such Unitholder's intention to participate in the Reinvestment Plan. The CDS Participant must, on behalf of such Plan Participant, elect online via CDSX no later than 4:00 p.m. (Toronto time) on each applicable Distribution Record Date in respect of the next expected distribution in which the Unitholder wishes to participate. These elections are received directly by the Plan Agent via CDSX. If this election via CDSX is not received by the Plan Agent by the applicable deadline, the Unitholder will not participate in the Reinvestment Plan for that distribution.

The tax treatment to Unitholders of reinvested distributions is discussed under the heading "Income Tax Considerations".

#### *Fractional Units*

No fractional Plan Units will be purchased or sold under the Reinvestment Plan. Cash payments for any uninvested funds remaining after the Plan Agent has purchased whole Plan Units will be made in lieu of fractional Plan Units by the Plan Agent to CDS. CDS will, in turn, credit the Plan Participant via the applicable CDS Participant.

#### *Amendments, Suspension or Termination of the Reinvestment Plan*

Plan Participants may voluntarily terminate their participation in the Reinvestment Plan. Plan Participants who no longer wish to participate in the Reinvestment Plan must notify the CDS Participant through which the Plan Participants hold their Units no later than 4:00 p.m. (Toronto time) at least two business days immediately prior to the applicable Distribution Record Date. Plan Participants should contact their CDS Participant to receive details of the appropriate procedures for terminating their participation in the Reinvestment Plan. Any expenses associated with the preparation and delivery of a termination notice will be borne by the Plan Participant exercising its right to terminate participation in the Reinvestment Plan.

The Manager may terminate the Reinvestment Plan in its sole discretion, upon not less than 30 days' notice to: (i) CDS, (ii) the Plan Agent, and (iii) the TSX (if applicable). The Manager may also amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of all amendments, modifications or suspension to: (i) CDS, (ii) the Plan Agent, and (iii) the TSX (if applicable). All amendments or modifications to the Reinvestment Plan are subject to prior approval by the Plan Agent and, if necessary, the TSX.

The Manager may, in its sole discretion, and upon at least 30 days' written notice to the Plan Agent, remove the Plan Agent and appoint a new Plan Agent, provided that the Manager may not remove the Plan Agent until such time as a successor to the Plan Agent is appointed as plan agent.

#### *Other Provisions*

Participation in the Reinvestment Plan is restricted to Plan Participants who are residents of Canada for the purposes of the Tax Act. A partnership (other than a "Canadian partnership" as defined in the Tax Act) is not eligible to participate in the Reinvestment Plan. Upon becoming a non-resident of Canada or a partnership (other than a "Canadian partnership"), a Plan Participant shall be required to notify its CDS Participant and terminate its participation in the Reinvestment Plan immediately. For purposes of the Reinvestment Plan, the Plan Agent will have no duty to inquire into the eligibility, residency status or partnership status of a Plan Participant, and the Plan Agent will not be required to know the residency status or partnership status of Plan Participants.

The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions.

## **PURCHASES OF UNITS**

#### *Initial Investment*

In compliance with NI 81-102, the ETF will not issue Units to the public until orders aggregating not less than \$500,000 have been received and accepted by the ETF from investors other than the Manager or its directors, officers or securityholders.

#### *Offerings and Continuous Distribution*

Units are being issued and sold on a continuous basis and there is no maximum number of such Units that may be issued. Units are available to all investors through authorized dealers.

The Units have been conditionally approved for listing on the TSX. Subject to satisfying the TSX's original listing requirements, the Units shall be listed on the TSX and investors will be able to buy or sell such Units on the TSX on a continuous basis through registered brokers and dealers in the province or territory where the investor resides. The TSX ticker symbol for the Units is "COIL".

Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or the ETF in connection with the buying or selling of Units on the TSX.

#### *To the Designated Broker and Dealers*

All orders to purchase Units directly from the ETF must be placed by the Designated Broker or Dealers. The ETF reserves the absolute right to reject any subscription order placed by the Designated Broker and/or a Dealer. No fees will be payable by the ETF to the Designated Broker or a Dealer in connection with the issuance of Units. On the issuance of Units, the Manager may, at its discretion, charge an administrative fee to the Designated Broker or a Dealer to offset any expenses incurred in issuing the Units.

On any Trading Day, a Designated Broker or a Dealer may place a subscription order for a prescribed number of Units (a "PNU") or integral multiple PNU.

If a subscription order is received by the ETF at or before 9:00 a.m. on a Trading Day, or such other time prior to the Valuation Time on such Trading Day as the Manager may permit, and is accepted by the Manager, the ETF will generally issue to the Dealer or the Designated Broker the PNU (or an integral multiple thereof) within two Trading Days (or such shorter period, as may be required by applicable law) from the effective date of the subscription order. The ETF must receive payment for the Units subscribed for within two Trading Days (or such shorter period, as may be required by applicable law) from the effective date of the subscription order. The effective date of a subscription order is the Trading Day on which the Valuation Time that applies to such subscription order takes place.

Unless the Manager shall otherwise agree or the Declaration of Trust shall otherwise provide, as payment for a PNU, a Dealer or the Designated Broker must deliver subscription proceeds consisting of a Basket of Securities and cash in an amount sufficient so that the value of the Basket of Securities and cash delivered is equal to the NAV of the applicable PNU determined at the Valuation Time on the effective date of the subscription order.

The Manager may, in its complete discretion, instead accept subscription proceeds consisting of (i) cash only in an amount equal to the NAV of the applicable PNU of the ETF determined at the Valuation Time on the effective date of the subscription order, plus (ii) if applicable, associated costs and expenses that the ETF incur or expect to incur in purchasing securities on the market with such cash proceeds. See “Fees and Expenses – Fees and Expenses Payable Directly by Unitholders – Other Fees”.

The Manager will publish, except when circumstances prevent it from doing so, the applicable PNU for the ETF following the close of business on each Trading Day on its website, [www.lightwaterpartners.com](http://www.lightwaterpartners.com). The Manager may, at its discretion, increase or decrease the applicable PNU from time to time.

The Manager may from time to time and, in any event not more than once quarterly, require the Designated Broker to subscribe for Units of the ETF for cash in a dollar amount not to exceed 0.30% of the NAV of the ETF, or such other amount as may be agreed to by the Manager and the Designated Broker. The number of Units issued will be the subscription amount divided by the NAV per Unit next determined following the delivery by the Manager of a subscription notice to the Designated Broker. Payment for the Units must be made by the Designated Broker by no later than the second Trading Day (or such shorter period, as may be required by applicable law) after the subscription notice has been delivered.

*To Unitholders as Reinvested Distributions or Distributions Paid in Units (if applicable)*

In addition to the issuance of Units as described above, distributions may be made by way of the issuance of Units and Units may be issued to Unitholders on the reinvestment of certain distributions in accordance with the Reinvestment Plan of the ETF. See “Distribution Policy” and “Distribution Reinvestment Plan”.

*Special Considerations for Purchasers*

The ETF is considered an “alternative mutual fund” within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. Alternative mutual funds, under NI 81-102, are permitted to use strategies generally prohibited for conventional mutual funds, including the ability to invest more than 10% of their NAV in securities of a single issuer, the ability to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to employ leverage.

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units. In addition, the ETF is entitled to rely on exemptive relief from the securities regulatory authorities to permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders.

## **EXCHANGE AND REDEMPTION OF UNITS**

### **Exchange of Units at NAV per Unit for Baskets of Securities and/or Cash**

Unitholders may exchange the applicable PNU (or an integral multiple thereof) of the ETF on any Trading Day for Baskets of Securities and cash, subject to the requirement that a minimum PNU be exchanged. To effect an exchange of Units, a Unitholder must submit an exchange request in the form and at the location prescribed by the ETF from time to time at or before 9:00 a.m. (Toronto time) on a Trading Day, or such other time prior to the Valuation Time on such Trading Day as the Manager may permit. The exchange price will be equal to the NAV of the PNU tendered for exchange determined at the Valuation Time on the effective date of the exchange request, payable by delivery of a Basket of Securities (constituted as most recently published prior to the effective date of the exchange request) and cash. The Manager will also make available to Dealers and Designated Brokers the applicable PNU to redeem Units on each Trading Day. The effective date of an exchange request is the Trading Day on which the Valuation Time that applies to such redemption request takes place.

Upon the request of a Unitholder, the Manager may, in its complete discretion, satisfy an exchange request by delivering cash only in an amount equal to the NAV of each PNU tendered for exchange determined at the Valuation Time on the effective date of the exchange request, provided that the Unitholder agrees to pay the costs and expenses that the ETF incur or expect to incur in selling securities on the market to obtain the necessary cash for the exchange. See “Fees and Expenses – Fees and Expenses Payable Directly by Unitholders – Other Fees”.

If an exchange request is not received by the applicable cut-off time, the exchange order will be effective only on the next Trading Day. Settlement of exchanges for Baskets of Securities and cash will generally be made by the first Trading Day (or such shorter period, as may be required by applicable law) after the effective day of the exchange request.

If any securities in which the ETF has invested are cease traded at any time by order of a securities regulatory authority or other relevant regulator or stock exchange, the delivery of Baskets of Securities to a Unitholder, Dealer or the Designated Broker on an exchange in the PNU may be postponed until such time as the transfer of the Baskets of Securities is permitted by law.

As described under “Book-Entry Only System”, registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participant through which they hold such Units sufficiently in advance of the cut-off times described below to allow such CDS Participant to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

### **Redemption of Units for Cash**

On any Trading Day, Unitholders may redeem (i) Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the NAV per Unit on the effective day of redemption, less any applicable redemption fee to offset any associated transaction costs, or (ii) a PNU or a multiple PNU for cash equal to the NAV of that number of Units less any applicable redemption fee to offset any associated transaction costs. Because Unitholders will generally be able to sell Units at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash. No fees or expenses are paid by Unitholders to the Manager, the ETF in connection with selling Units on the TSX.

In order for a cash redemption of Units of the ETF to be effective on a Trading Day, a cash redemption request must be delivered to the Manager by the time, in the form and at the location prescribed by the Manager from time to time on such Trading Day. Any cash redemption request received after such time will be effective only on the next Trading Day. Where possible, payment of the redemption price will be made by no later than the first Trading Day after the effective day of the redemption. The cash redemption request forms may be obtained from any registered broker or dealer.

Unitholders that have delivered a redemption request prior to the Distribution Record Date for any distribution will not be entitled to receive that distribution.

In connection with the redemption of Units, the ETF will generally dispose of securities or other financial instruments.

### **Suspension of Exchanges and Redemptions**

The Manager may suspend the exchange or redemption of Units or payment of redemption proceeds of the ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the ETF; or (ii) for a period not exceeding 30 days, with the prior permission of the securities regulatory authorities where required. The suspension may apply to all requests for exchange or redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the exchange or redemption will be effected at a price determined on the first valuation day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for exchange or redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the ETF, any declaration of suspension made by the Manager shall be conclusive.

### **Other Fees**

An amount as may be agreed to between the Manager and the Designated Broker or a Dealer of the ETF may be charged by the Manager, on behalf of the ETF, to the Designated Broker and/or Dealers to offset certain transaction costs including brokerage expenses, commissions and other costs and expenses associated with the issue, exchange or redemption of Units of the ETF to or by such Designated Broker and/or Dealer.

This fee, which is payable to the ETF, does not apply to Unitholders who buy and sell their Units through the facilities of the TSX.

### **Allocations of Capital Gains to Redeeming or Exchanging Unitholders**

Pursuant to the Declaration of Trust, the ETF may allocate and designate as payable any capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption or exchange of Units to a Unitholder whose Units are being redeemed or exchanged. In addition, the ETF has the authority to distribute, allocate and designate any capital gains of the ETF to a Unitholder who has redeemed Units during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's capital gains for the year. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming or exchanging Unitholder.

Under certain rules in the Tax Act (the "ATR Rules"), amounts of taxable capital gains allocated and designated to redeeming or exchanging Unitholders are only deductible to the ETF to the extent of the redeeming or exchanging Unitholders' pro rata share (as determined under the ATR Rules) of the net taxable capital gains of the ETF for the year. Any taxable capital gains that are not deductible by the ETF under the ATR Rules may be made payable to non-redeeming or exchanging Unitholders of the ETF so that the ETF will not be liable for non-refundable income tax thereon. Accordingly, the amounts and taxable component of distributions to non-redeeming or exchanging Unitholders of the ETF may be greater than would have been the case in the absence of the ATR Rules.

### **Book-Entry Only System**

Registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an

owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon buying Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest of such Units.

Neither the ETF nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The ETF has the option to terminate registration of Units through the book-entry only system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

### **Short-Term Trading**

Unlike conventional open-end mutual fund trusts in which short term trading by investors may cause the mutual fund to incur additional unnecessary trading costs in connection with the purchase of additional portfolio securities and the sale of portfolio securities to fund Unitholder redemptions, the Manager does not believe that it is necessary to impose any short-term trading restrictions on the ETF at this time as: (i) the ETF is primarily traded in the secondary market; and (ii) the few transactions involving Units that do not occur on the secondary market involve the Designated Broker and Dealers, who can only purchase or redeem Units in a PNU and on whom the Manager may impose a redemption fee. The redemption fee is intended to compensate the ETF for any costs and expenses incurred by the ETF in order to fund the redemption.

### **PRIOR SALES**

#### **Trading Price and Volume**

The ETF has not commenced trading, so it has no trading history.

### **INCOME TAX CONSIDERATIONS**

In the opinion of Mintz LLP, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units by a Unitholder of the ETF who acquires Units pursuant to this prospectus. This summary only applies to a prospective Unitholder of the ETF who is an individual (other than a trust) resident in Canada for purposes of the Tax Act, who deals at arm's length with the ETF and the Designated Broker or Dealer and is not affiliated with the ETF or the Designated Broker or Dealer and who holds Units as capital property (a "**Holder**").

Generally, Units will be considered to be capital property to a Holder provided that the Holder does not hold such 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. Provided the ETF qualifies as a "mutual fund trust" for purposes of the Tax Act, certain Holders who might not otherwise be considered to hold Units of that ETF as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Holder who has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Units.

This summary is based on the assumption that at all times the ETF has complied and will continue to comply with its investment restrictions. In addition, this summary is based on the assumption that none of the issuers of the securities in the ETF's portfolio is a foreign affiliate of any Holder of Units of the ETF for purposes of the Tax Act.

This summary also assumes that none of the ETF will be a “SIFT trust” for purposes of the Tax Act or a “covered entity” for purposes of the Equity Repurchase Rules; however, no assurances can be provided in this regard. See “Risk Factors – Tax Risks”.

This summary is based on the facts described herein, the current provisions of the Tax Act, counsel’s understanding of the current publicly available administrative policies and assessing practices of the CRA published in writing prior to the date hereof and a certificate of the Manager. This summary takes into account the Tax Amendments. This description is not exhaustive of all Canadian federal income tax consequences and does not take into account or anticipate changes in the law or in administrative policy or assessing practice, whether by legislative, governmental or judicial action other than the Tax Amendments in their present form, nor does it take into account provincial, territorial or foreign tax considerations which may differ significantly from those discussed herein. There can be no assurance that the Tax Amendments will be enacted in the form publicly announced, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. The income and other tax consequences of investing in Units will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of Units. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units based on their particular circumstances.

#### **Status of the ETF**

This summary is based on the assumptions that the ETF qualifies (or will be deemed to qualify) at all times as a “mutual fund trust” within the meaning of the Tax Act and that the ETF has not been established or maintained and will not be maintained primarily for the benefit of non-residents unless, at that time, substantially all of its property consists of property other than property that would be “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition).

To qualify as a mutual fund trust, (i) a ETF must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the ETF must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the ETF, or (c) any combination of the activities described in (a) and (b), and (iii) the ETF must comply with certain minimum requirements respecting the ownership and dispersal of Units of a particular class (the “**minimum distribution requirements**”). In this connection, the Manager has advised counsel that (i) it intends to cause the ETF to qualify as a unit trust throughout the life of the ETF, (ii) the ETF’s undertaking conforms with the restrictions for mutual fund trusts, and (iii) the ETF currently comply with the minimum distribution requirements and the Manager has no reason to believe that the ETF will not continue to comply with the minimum distribution requirements at all relevant times.

If the ETF were not to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different in respect of the ETF.

Provided the Units of the ETF are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX) or the ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, the Units of such ETF will be qualified investments under the Tax Act for a trust governed by an RRSP, a RRIF, a DPSP, an RDSP, an RESP, a TFSA or an FHSA (the “**Plans**”). See “Income Tax Considerations – Taxation of Registered Plans” for the consequences of holding Units in Plans.

#### **Taxation of the ETF**

The Manager has advised counsel that the ETF has elected to have a taxation year that ends on December 15 of each calendar year. The ETF must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable (or deemed to be paid or payable) to its Unitholders in the calendar year in which the taxation year-end falls. An amount will be considered to be payable

to a Unitholder of the ETF in a calendar year if it is paid to the Unitholder in that year by the ETF or if the Unitholder is entitled in that year to enforce payment of the amount. The Declaration of Trust requires that sufficient amounts be paid or made payable in respect of each taxation year of the ETF so that the ETF is not liable for any non-refundable income tax under Part I of the Tax Act.

The ETF is required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

Premiums received on covered call options written by the ETF which are not exercised prior to the end of the year will constitute capital gains of the ETF in the year received, unless such premiums are received by the ETF as income from a business or the ETF has engaged in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the ETF purchases the securities in its portfolio with the objective of receiving dividends and other distributions thereon over the life of the ETF and, if applicable, writes covered call options with the objective of increasing the yield on its portfolio beyond the dividends and other distributions received. Having regard to the foregoing, and in accordance with the CRA's published administrative policies, transactions undertaken by the ETF in respect of call options on the securities in its portfolio written as described in "Investment Strategies – Covered Option Writing" will be reported on capital account.

Premiums received by the ETF on covered call options that are on capital account which are subsequently exercised will be added in computing the proceeds of disposition to the ETF of the securities disposed of by the ETF upon the exercise of such call options. In addition, where such a covered call option is exercised after the end of the year in which it was granted, the ETF's capital gain in the previous year in respect of the receipt of the Option Premium will be nullified.

In general, the ETF will realize a capital gain (or capital loss) upon the actual or deemed disposition of a security included in its portfolio to the extent the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such security unless the ETF were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the ETF has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the ETF purchases the securities in its portfolio with the objective of receiving dividends and other distributions thereon and takes the position that gains and losses realized on the disposition of its securities are capital gains and capital losses. In addition, the Manager has advised counsel that the ETF has made an election under subsection 39(4) of the Tax Act (if applicable) so that all securities held by the ETF that are "Canadian securities" (as defined in the Tax Act) are deemed to be capital property to the ETF.

The ETF is entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units of the ETF during the year (the "**Capital Gains Refund**"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the ETF for such taxation year which may arise upon the sale or other disposition of securities included in the portfolio in connection with the redemption of Units of the ETF.

In general, gains and losses realized by the ETF from derivative transactions will be on income account except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and such gains and losses will be recognized for tax purposes at the time they are realized by the ETF.

A loss realized by the ETF on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the ETF, or a person affiliated with the ETF, acquires a property (a "**substituted property**") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the ETF, or a person affiliated with the ETF, owns the substituted property 30 days after the original disposition. If a loss is suspended, the ETF cannot deduct the loss from the ETF's capital gains until the substituted property is disposed of and is not reacquired by the ETF, or a person affiliated with the ETF, within 30 days before and after the disposition.

The DFA Rules target financial arrangements (referred to as "derivative forward agreements") that seek to deliver a return based on an "underlying interest" (other than certain excluded underlying interests). The DFA Rules are broad

in scope and could apply to other agreements or transactions (including certain options). If the DFA Rules were to apply in respect of derivatives utilized by the ETF, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. Provided a covered call option is written by the ETF in the manner described in “Investment Strategies – Covered Option Writing”, the writing of such call option will not generally be subject to the DFA Rules.

The ETF may enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in its portfolio. The cost and proceeds of disposition of securities, dividends and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the ETF may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the portfolio of the ETF likely constitute capital gains and capital losses to the ETF if the securities in the ETF’s portfolio are capital property to the ETF and provided there is sufficient linkage.

The ETF will derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid by the ETF exceeds 15% of the amount included in the ETF’s income from such investments, such excess may generally be deducted by the ETF in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax paid by the ETF (or paid by an underlying fund and deemed to be paid by the ETF) does not exceed 15% of such amount and has not been deducted in computing the ETF’s income, the ETF may designate in respect of a Holder a portion of its foreign source income that can reasonably be considered to be part of the ETF’s income distributed to such Holder so that such income and a portion of the foreign tax paid, or deemed to be paid, by the ETF may be regarded as foreign source income of, and foreign tax paid by, the Holder for the purposes of the foreign tax credit provisions of the Tax Act.

To the extent the ETF holds trust units issued by a trust resident in Canada that is not at any time in the relevant taxation year a “SIFT trust” and held as capital property for purposes of the Tax Act, the ETF will be required to include in the calculation of its income for a taxation year the net income, including net taxable capital gains, paid or payable to the ETF by such trust in the calendar year in which that taxation year ends, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided that appropriate designations are made by such trust, net taxable capital gains realized by the trust, foreign source income of the trust and taxable dividends from taxable Canadian corporations received by the trust that are paid or payable by the trust to the ETF will effectively retain their character in the hands of the ETF. The ETF will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable by the trust to the ETF except to the extent that the amount was included in calculating the income of the ETF or was the ETF’s share of the non-taxable portion of capital gains of the trust, the taxable portion of which was designated in respect of the ETF. If the adjusted cost base to the ETF of such units becomes a negative amount at any time in a taxation year of the ETF, that negative amount will be deemed to be a capital gain realized by the ETF in that taxation year and the ETF’s adjusted cost base of such units will be increased by the amount of such deemed capital gain to zero.

The ETF is entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units. Such issue expenses paid by the ETF and not reimbursed are deductible by the ETF ratably over a five-year period subject to reduction in any taxation year which is less than 365 days. In computing its income under the Tax Act, the ETF may deduct reasonable administrative and other expenses incurred to earn income, which generally includes interest paid on money borrowed to acquire portfolio securities.

In certain circumstances, the deductibility of interest on money borrowed to invest in certain trusts may be reduced on a pro rata basis in respect of distributions from such trusts that are a return of capital and that are not reinvested for an income earning purpose. While the ability to deduct interest depends on the facts, it is possible that part of the interest payable by the ETF in connection with money borrowed to acquire units of an underlying fund could be non-deductible where such distributions have been made to the ETF, increasing the net income of the ETF for tax purposes and the taxable component of distributions to its Holders. Further, if the EIFEL Rules apply to the ETF, the amount of interest and other financing expenses otherwise deductible by the ETF may be reduced and the taxable component of distributions by the ETF to its Unitholders may be increased accordingly. Counsel has been advised that the Manager is reviewing the impact, if any, of the EIFEL Rules on the ETF.

Losses incurred by the ETF in a taxation year cannot be allocated to Holders, but may be deducted by the ETF in future years in accordance with the Tax Act.

### **Taxation of Holders**

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the ETF, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in that particular taxation year (whether in cash or in Units, whether such amount is automatically reinvested in additional Units pursuant to the Reinvestment Plan or whether as a Management Fee Distribution). Amounts paid or payable by the ETF to a Holder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Holder on December 15.

Under the Tax Act, the ETF is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions of income for the year to the extent necessary to enable the ETF to use, in that taxation year, losses from prior years without affecting the ability of the ETF to distribute its income annually. In such circumstances, the amount distributed to a Holder but not deducted by the ETF will not be included in the Holder's income. However, the adjusted cost base of the Holder's Units of the ETF will be reduced by such amount. The non-taxable portion of the ETF's net realized capital gains for a taxation year, the taxable portion of which was designated in respect of a Holder for the taxation year, that is paid or becomes payable to the Holder for the year will not be included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of the ETF for a taxation year that is paid or becomes payable to the Holder for the year (i.e. returns of capital) will not generally be included in the Holder's income for the year, but will reduce the adjusted cost base of the Holder's Units of the ETF. To the extent that the adjusted cost base of a Unit of the ETF to a Holder would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be increased by the amount of such deemed capital gain to zero.

Provided that appropriate designations are made by the ETF, such portion of the net realized taxable capital gains of the ETF, the taxable dividends received or deemed to be received by the ETF on shares of taxable Canadian corporations and foreign source income of the ETF as is paid or becomes 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. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and credits applicable to dividends designated as "eligible dividends". Where the ETF makes designations in respect of its foreign source income, for the purpose of computing any foreign tax credit that may be available to a Holder, the Holder will generally be deemed to have paid as tax to the government of a foreign country that portion of taxes paid by the ETF to that country that is equal to the Holder's share of the ETF's income from sources in that country.

Any loss of the ETF for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

On the disposition or deemed disposition of a Unit of the ETF, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the ETF which represents capital gains allocated and designated to the redeeming Holder), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit of the ETF. For the purpose of determining the adjusted cost base of a Holder's Units of a class of the ETF, when additional Units of that class of the ETF are acquired by the Holder (as a result of a distribution by the ETF in the form of Units or pursuant to the Reinvestment Plan or otherwise), the cost of the newly acquired Units of that class will be averaged with the adjusted cost base of all Units of that class of the ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units that have been issued on a distribution will generally be equal to the amount of the distribution and any additional Units acquired by a Holder on the reinvestment of distributions will generally have a cost equal to the amount reinvested. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base of Units to a Holder.

In the case of an exchange of Units of the ETF for a Basket of Securities, a Holder's proceeds of disposition of Units would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received. The cost to a Holder of any property received from the ETF upon the exchange will generally be equal to the fair market value of such property at the time of the distribution. In the case of an exchange of Units of the ETF

for a Basket of Securities, the investor may receive securities that are not qualified investments under the Tax Act for Plans. If such securities are not qualified investments for Plans, such Plans (and, in the case of certain Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences. Holders should consult their own tax counsel for advice on whether or not such securities would be qualified investments for Plans.

Pursuant to the Declaration of Trust, the ETF may allocate and designate as payable any capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption or exchange of Units to a Holder whose Units are being redeemed or exchanged. In addition, the ETF has the authority to distribute, allocate and designate any capital gains of the ETF to a Holder who has redeemed Units during a year in an amount equal to the Holder's share, at the time of redemption, of the ETF's capital gains for the year. Any such allocations and designations will reduce the redemption price otherwise payable to the Holder, and therefore the Holder's proceeds of disposition. Under the ATR Rules, amounts of taxable capital gains allocated and designated to redeeming or exchanging Unitholders are only deductible to the ETF to the extent of the redeeming or exchanging Unitholders' pro rata share (as determined under the ATR Rules) of the net taxable capital gains of the ETF for the year.

In general, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder on the disposition of Units or a taxable capital gain designated by the ETF in respect of the Holder for a taxation year of the Holder will be included in computing the Holder's income for that year and one-half of any capital loss (an "**allowable capital loss**") realized by the Holder in a taxation year of the Holder generally must be deducted from taxable capital gains realized by the Holder in the taxation year or designated by the ETF in respect of the Holder for the taxation year in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year 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 in accordance with the provisions of the Tax Act.

Amounts designated by the ETF to a Holder as taxable capital gains or dividends from taxable Canadian corporations, and taxable capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

### **Taxation of Registered Plans**

Amounts of income and capital gains included in a Plan's income are generally not taxable under Part I of the Tax Act provided the Units are "qualified investments" for the Plan for the purposes of the Tax Act. Holders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Plan.

Notwithstanding the foregoing, the holder of a TFSA, RDSP or FHSA, the annuitant of an RRSP or RRIF or the subscriber of an RESP will be subject to a penalty tax in respect of Units held by such Plan if such Units are a "prohibited investment" for such Plan for the purposes of the Tax Act. The Units of the ETF will not be a "prohibited investment" for a trust governed by such a Plan unless the holder of the TFSA, RDSP or FHSA, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as applicable, (i) does not deal at arm's length with the ETF for purposes of the Tax Act, or (ii) has a "significant interest" as defined in the Tax Act in the ETF. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in the ETF unless the holder, annuitant or subscriber, as the case may be, owns interests as a beneficiary under the ETF that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the ETF, either alone or together with persons and partnerships with which the holder, annuitant or subscriber, as the case may be, does not deal at arm's length. In addition, the Units will not be a prohibited investment if such Units are "excluded property" as defined in the Tax Act for a trust governed by a TFSA, RDSP, RRSP, RRIF, RESP or FHSA.

Holders, annuitants and subscribers should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether such Units would be excluded property.

### **Tax Implications of the ETF's Distribution Policy**

The NAV per Unit of the ETF will, in part, reflect any income and gains of the ETF that have been earned or been realized, but have not been made payable at the time Units were acquired. Accordingly, a Holder who acquires Units of the ETF, including on a reinvestment of distributions pursuant to the Reinvestment Plan or a distribution of Units, may become taxable on the Holder's share of such income and gains of the ETF. In particular, an investor who acquires Units at any time in the year but prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) notwithstanding that such amounts may have been reflected in the price paid by the Holder for the Units. Further, where a Holder acquires Units of the ETF in a calendar year after December 15 of such year, such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

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

### **Manager**

Lightwater, a registered portfolio manager in Ontario and an investment fund manager in Newfoundland and Labrador, Ontario and Québec, is the promoter, trustee, manager and portfolio manager of the ETF and its principal office is located at 372 Bay Street, Suite 1700, Toronto, Ontario, Canada, M5H 2W9. The Manager performs or arranges for the performance of management services for the ETF and is responsible for the administration of the ETF.

#### *Duties and Services to be Provided by the Manager*

Pursuant to the Declaration of Trust, the Manager provides and arranges for the provision of required administrative services to the ETF including, without limitation: portfolio management services, negotiating contracts with certain third-party service providers, including, but not limited to, investment managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; maintaining accounting records; preparing the reports to Unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF comply with all other regulatory requirements including continuous disclosure obligations under applicable securities laws; administering purchases, redemptions and other transactions in Units; arranging for any payments required upon termination of the ETF; and dealing and communicating with Unitholders. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that they comply with the ETF's investment objective, investment strategies and investment restrictions and practices.

No manager of the ETF shall be a person who (i) is not a resident of Canada for purposes of the Tax Act, or (ii) does not agree to carry out its functions of managing the ETF in Canada.

Pursuant to the Declaration of Trust, the Manager has full authority and responsibility to manage and direct the business and affairs of the ETF, to make all decisions regarding the business of the ETF and to bind the ETF. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the ETF to do so.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Manager will not be liable to the ETF or to any Unitholder or any other person for any loss or damage relating to any matter regarding the ETF, including any loss or diminution of value of the assets of the ETF if it has satisfied its standard of care set forth above.

The Manager and each of its directors, officers, employees and agents may be indemnified out of the assets of the ETF from and against all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done or omitted

in or in relation to the execution of its duties to the ETF as long as the person acted honestly and in good faith with a view to the best interests of the ETF.

The Manager may resign upon 90 days' prior written notice to the Trustee or upon such lesser notice period as the Trustee may accept. The Manager may also be removed by the Trustee on at least 90 days' written notice to the Manager. The Trustee shall make every effort to select and appoint a successor manager prior to the effective date of the Manager's resignation.

The Manager is entitled to fees for its services as manager under the Declaration of Trust as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the ETF. The Manager may, in its discretion, terminate the ETF without the approval of Unitholders if, in its opinion, it is no longer economically feasible to continue the ETF and/or it would otherwise be in the best interests of Unitholders to terminate the ETF.

The administration and management services of the Manager under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents the Manager from providing similar administrative and management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the ETF) or from engaging in other activities.

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

The name and municipality of residence of each of the directors and executive officers of the Manager and their principal occupations are as follows:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
JEROME HASS Toronto, Ontario	Chief Executive Officer, Ultimate Designated Person, Secretary, Chief Compliance Officer and Director	Chief Executive Officer, Lightwater Partners
ANDY MACLEAN Toronto, Ontario	Chief Financial Officer and Director	Chief Financial Officer, Lightwater Partners
JOHN W. KING Stouffville, Ontario	Director	CEO, Lupos (Canada) Biotechnology Inc.

Jerome Hass has been a principal of Lightwater Partners since its founding in 2007. Andy MacLean joined the Board of Directors of Lightwater Partners in June 2025 and was appointed as the Chief Financial Officer of Lightwater Partners in January 2026. John W. King joined the Board of Directors of Lightwater Partners in November 2025.

#### **Designated Broker**

The Manager, on behalf of the ETF, has entered or will enter into a Designated Broker Agreement with a Designated Broker pursuant to which each Designated Broker agrees to perform certain duties relating to the ETF, including, without limitation: (i) to subscribe for a sufficient number of Units to satisfy the TSX's listing requirements; (ii) to subscribe for Units on an ongoing basis; and (iii) to post a liquid two way market for the trading of Units on the TSX. Payment for Units must be made by the Designated Broker, and those Units will be issued, by no later than the second Trading Day (or such shorter period, as may be required by applicable law) after the subscription notice has been delivered. Currently, the Manager intends to engage one Designated Broker in respect of the ETF.

A Designated Broker may terminate a Designated Broker Agreement at any time by giving the Manager at least six months' prior written notice of such termination. The Manager may terminate a Designated Broker Agreement at any time, without prior notice, by sending a written notice of termination to the Designated Broker.

Units do not represent an interest or an obligation of any Designated Broker or Dealer or any affiliate thereof and a Unitholder will not have any recourse against any such parties in respect of amounts payable by the ETF to such Designated Broker or Dealers.

### **Brokerage Arrangements**

The Manager is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the ETF's investments and, when applicable, the negotiation of commissions in connection therewith. The ETF is responsible to pay those commissions.

The Manager's allocation of brokerage business to companies, including those that furnish statistical, research or other services to the ETF, is based on decisions made by the portfolio managers, analysts and traders of the Manager and will only be made in compliance with applicable law and in accordance with the Manager's policies and procedures. The Manager may receive research and order execution goods and services in return for directing brokerage transactions for the ETF to registered dealers. When doing so, the Manager ensures that the goods or services are used by the ETF to assist with investment or trading decisions, or with effecting securities transactions, on behalf of the ETF. The Manager also makes a good faith determination that the ETF receives reasonable benefit considering the use of the goods and services, the amount of brokerage commissions paid, the range of services and the quality of research received. The Manager uses the same criteria in selecting registered dealers. These arrangements are always subject to best execution, which includes a number of considerations such as price, volume, speed and certainty of execution and total transaction costs.

### **Conflicts of Interest**

The Manager and its affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The services provided by the Manager under the Declaration of Trust are not exclusive and nothing in the agreements prevent the Manager or any of its affiliates from providing similar services to other investment funds or clients (whether or not their investment objectives, strategies and policies are similar to those of the ETF) or from engaging in other activities. The Manager and its affiliates therefore will have conflicts of interest in allocating management time, services and functions to the ETF and the other persons for which they provide similar services. The investment decisions of the Manager and its affiliates for the ETF will be made independently of those made on behalf of their other clients or for their own investments. On occasion, however, they may make the same investment for the ETF and for one or more of their other clients. If the ETF and one or more of its other clients, or any of their affiliates, are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis. In this regard, the Manager or its affiliates will generally endeavour to allocate investment opportunities to the ETF and other investment funds managed by them on a pro rata basis.

The Manager and its affiliates may trade and make investments for their own accounts, and the Manager and its affiliates currently trade and manage and will continue to trade and manage accounts other than the ETF's accounts utilizing trading and investment strategies which are the same as or different from the ones to be utilized in making investment decisions for the ETF. In addition, in proprietary trading and investment, the Manager and its affiliates may take positions the same as, different than or opposite to those of the ETF. Furthermore, all of the positions held by accounts owned, managed or controlled by the Manager or its affiliates will be aggregated for purposes of applying certain exchange position limits. As a result, the ETF may not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the ETF and such other accounts, would exceed applicable limits. All of such trading and investment activities may also increase the level of competition experienced with respect to priorities of order entry and allocations of executed trades.

The Manager may at times have interests that differ from the interests of the Unitholders. Where the Manager, or its affiliates otherwise perceive in the course of business, that they are or may be in a material conflict of interest position, the matter will be referred to the IRC. The IRC will consider all matters referred to it and provide its recommendations to the Manager as soon as possible.

In evaluating these conflicts of interest, potential investors should be aware that the Manager has a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the ETF. In the event that a Unitholder

believes that the Manager has violated its duty to such Unitholder, the Unitholder may seek relief for itself or on behalf of the ETF to recover damages from or to require an accounting by the Manager. Unitholders should be aware that the performance by the Manager of its responsibilities to the ETF will be measured in accordance with (i) the provisions of the agreement by which the Manager has been appointed to its position with the ETF; and (ii) applicable laws.

A registered dealer acts as a Designated Broker and one or more registered dealers may act as a Dealer and/or a market maker. These relationships may create actual or perceived conflicts of interest which investors should consider in relation to an investment in the ETF. In particular, by virtue of these relationships, these registered Dealers may profit from the sale and trading of Units. The Designated Broker, as market maker of the ETF in the secondary market, may therefore have economic interests which differ from and may be adverse to those of Unitholders.

Any such registered Dealer and its affiliates may, at present or in the future, engage in business with the ETF, the issuers of securities making up the investment portfolio of the ETF, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services. In addition, the relationship between any such registered Dealer and its affiliates, and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

No Designated Broker or Dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus. The applicable Designated Broker and Dealers do not act as underwriters of any the ETF in connection with the distribution of Units under this prospectus. Units do not represent an interest or an obligation of any Designated Broker, any Dealer or any affiliate thereof, and a Unitholder does not have any recourse against any such parties in respect of amounts payable by the ETF to the applicable Designated Broker or Dealers. The Canadian securities regulators have provided the ETF with a decision exempting the ETF from the requirement to include a certificate of any underwriter in the prospectus.

#### **Independent Review Committee**

NI 81-107 requires the ETF to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC will be required to conduct regular assessments and provide reports to the Manager and to Unitholders in respect of its functions.

The ETF is currently the only fund under management of Lightwater that requires an IRC. In the future, if Lightwater adds another exchange traded fund, all exchange traded funds managed by Lightwater will share the same IRC. The fees and expenses of the IRC will be borne and shared by all of the investment funds that are managed by Lightwater. Each investment fund is also responsible for all expenses associated with insuring and indemnifying the IRC members.

The current members of the IRC are Neill May, Bruce Scott, and Brian Holland.

The IRC will prepare a report, at least annually, of its activities for Unitholders which will be available on the ETF's website at [www.lightwaterpartners.com](http://www.lightwaterpartners.com) or at the Unitholder's request at no cost, by contacting the Manager at 1-416-504-9767.

The members of the IRC are each paid an annual fee of \$2,500 for serving on the IRC of the ETF. Expenses incurred by the members of the IRC in connection with performing their duties are also the responsibility of the ETF.

#### **The Trustee**

Lightwater is also the trustee of the ETF pursuant to the Declaration of Trust. The Trustee may resign and be discharged from all further duties under the Declaration of Trust upon 90 days' prior written notice to the Manager or upon such lesser notice as the Manager may accept. No trustee of the ETF shall be a person who (i) is not a resident of Canada for the purposes of the Tax Act, or (ii) does not agree to carry out its functions of managing the ETF in Canada and exercise the main powers and discretions of the Trustee of the ETF in Canada. The Manager shall make every effort to select and appoint a successor trustee prior to the effective date of the Trustee's resignation. If the Manager

fails to appoint a successor trustee within 90 days after notice is given or a vacancy occurs, the Manager shall call a meeting of Unitholders of the ETF within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five Unitholders of the ETF may call a meeting of Unitholders of the ETF within 31 days after notice is given or a vacancy occurs for the purpose of appointing a successor trustee. In each case, if, upon the expiry of a further 30 days, neither the Manager nor the Unitholders of the ETF have appointed a successor trustee, the ETF shall be terminated and the property of the ETF shall be distributed in accordance with the terms of the Declaration of Trust.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the ETF, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust as long as the Trustee has adhered to its standard of care set out above. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee will not receive any fees from the ETF but will be reimbursed for all expenses and liabilities that it properly incurs in carrying out activities on behalf of the ETF.

#### *Custodian*

TD Securities Inc. is the custodian of the ETF's assets pursuant to the Custodian Agreement. The Custodian is located in Toronto, Ontario. Pursuant to the Custodian Agreement, the Custodian is required to exercise its duties with the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances. Provided the Custodian has not breached its standard of care as set out in the Custodian Agreement, the Custodian shall not be responsible for the holding or control of any property of the ETF which are not directly held by the Custodian, including any property of the ETF that are loaned or pledged to a counterparty.

Under the Custodian Agreement, the ETF shall pay fees to the Custodian at such rate as determined by the parties from time to time and shall reimburse the Custodian for all reasonable expenses and disbursements incurred in the performance of its duties under the Custodian Agreement. The ETF shall also indemnify the Custodian or any of its officers, directors, employees or agents for any loss, damage, liability, actions, suits, claims, costs and expenses arising in the course of performing the duties of the Custodian Agreement unless arising from negligence, fraud, bad faith, wilful default or breach of the Custodian's standard of care. Either party may terminate the Custodian Agreement in the event that the other party violates any material provision of the Custodian Agreement by giving written notice to the violating party, provided the violating party has not cured or made substantial progress to cure the violation within 90 days of receipt of such written notice.

#### *Valuation Agent*

SGGG Fund Services Inc. provides accounting services in respect of the ETF pursuant to a valuation services agreement. The Valuation Agent is independent of the Manager. Its offices are located at 121 King Street West, Toronto, Ontario, Canada, M5H 3T9.

#### *Auditors*

Goodman & Associations LLP is the auditor of the ETF. The auditor is independent with respect to the ETF within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. The office of the auditors is located at 45 St. Clair Avenue West, Toronto, Ontario, Canada, M4V 1L3.

### **Registrar and Transfer Agent**

TSX Trust Company Canada, at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the ETF pursuant to a registrar and transfer agency agreement. The Registrar and Transfer Agent is independent of the Manager. Their office is located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada, M5H 1S3.

### **Prime Broker**

TD Securities Inc., at its principal offices in Toronto, Ontario, is the prime broker to the ETF. The Prime Brokers are independent of the Manager. The Manager may also appoint additional prime brokers at its discretion.

### **Lending Agent**

TD Securities Inc. may act as the securities lending agent for the ETF, pursuant to a Securities Lending Agreement. The Lending Agent is not an affiliate or associate of the Manager and its principal offices are located in Toronto, Ontario.

Under the Securities Lending Agreement, the collateral posted by a securities borrower to the ETF will be required to have an aggregate value of not less than 102% of the market value of the loaned securities. In addition to the collateral held by the ETF, the ETF will also benefit from a borrower default indemnity provided by the Lending Agent. The Lending Agent's indemnity will provide for the replacement of a number of securities equal to the number of unreturned loaned securities.

### **Promoter**

Lightwater is also the promoter of the ETF. Lightwater took the initiative in founding and organizing the ETF and is, accordingly, the promoter of the ETF within the meaning of securities legislation of certain provinces and territories of Canada.

### **Accounting and Reporting**

The ETF's fiscal year is the calendar year or such other fiscal period permitted under the Tax Act as that the Manager elects. The annual financial statements of the ETF shall be audited by its auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS. The Manager will arrange for the ETF's compliance with all applicable reporting and administrative requirements.

The Manager will keep, or arrange for the keeping of, adequate books and records reflecting the activities of the ETF. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the ETF during normal business hours at the offices of the Manager or such other location as the Manager shall determine. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the ETF.

### **Designated Website**

The ETF is required to post certain regulatory disclosure documents on a designated website. The ETF's designated website is [www.lightwaterpartners.com](http://www.lightwaterpartners.com).

## **CALCULATION OF NET ASSET VALUE**

The NAV of the Units on a particular date will be equal to the proportionate share of the aggregate value of the common assets of the ETF attributable to class or series of Units (pro rata, if applicable), less the proportionate share of the aggregate value of the common liabilities attributable to each class or series, expressed in Canadian dollars, at the reference exchange rate on such date. The reference exchange rate means the U.S. dollar/Canadian dollar WM/Reuters closing spot rate determined at 4:00 p.m. (Toronto time) as provided by the valuation agent, or another U.S. dollar/Canadian dollar exchange rate deemed appropriate by the Manager. The NAV of the ETF will be calculated using the fair value of the ETF's assets and liabilities based on the policies and procedures described below. The NAV per Unit of each class of the ETF will be calculated on each Valuation Day. The NAV per Unit on any day will be obtained by dividing the NAV of the ETF and allocated to the Units of such class, divided by the number of Units of such class then outstanding at the time the calculation is made. Typically, the NAV per Unit will be calculated at the

Valuation Time. The NAV per Unit of each class of the ETF may be determined at an earlier Valuation Time if the TSX and/or the principal exchange for the securities held by the ETF closes earlier on that Valuation Day.

### **Valuation Policies and Procedures of the ETF**

The Manager will use the following valuation procedures in determining the NAV on each Valuation Day:

The value of any cash on hand or on deposit, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date before the date as of which the NAV is being determined), and interest accrued and not yet received, 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 fair value thereof;

- (a) Bonds, debentures, notes, and other debt securities shall be valued at an evaluated bid price at the Valuation Time. Short-term investments, including notes and money market instruments, shall be recorded at their fair value;
- (b) Any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, at the last closing price quoted for the security, but if bid and ask quotes are available and, no last closing price is available at that time, at the average of the latest bid and ask price;
- (c) The value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the ETF or by the predecessor in title of the ETF shall be the lesser of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the ETF was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;
- (d) Any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the ETF;
- (e) Any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (f) If any date on which the NAV is determined is not a business day, then the securities comprising the portfolio and other property of the ETF will be valued as if such date were the preceding business day;
- (g) If any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;
- (h) The value of all assets of the ETF quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the ETF in foreign currency and the value of all liabilities and contractual obligations payable by the ETF in foreign currency shall be determined using the applicable rate of exchange current as quoted by customary banking sources at, or as nearly as practicable to, the applicable date on which the NAV is determined; and
- (i) The estimated operating expenses of the ETF shall be accrued to the date as of which the NAV is being determined. Prior to the calculation of the NAV of the ETF, any foreign currency assets and liabilities of the ETF will be translated into Canadian currency at the prevailing rate of exchange, as determined by the Manager, on the applicable Valuation Day.

For the purposes of the foregoing rules, quotations may be obtained from any report in common use, or from a reputable broker or other financial institution, provided always that the Trustee shall, in circumstances where such quotations are not available or the Trustee is of the opinion that they do not accurately reflect the value of the assets of the ETF, retain sole discretion to use such information and methods as it deems to be necessary or desirable for valuing the assets of the ETF, including the use of a formula computation.

In determining the NAV, Units subscribed for will be deemed to be outstanding and an asset of the ETF as of the time a subscription for such Units is received by and accepted by the Manager. Units that are being redeemed will only be deemed to be outstanding until (and not after) the close of business on the day on which such Units are redeemed and the redemption proceeds thereafter, until paid, will be a liability of the ETF.

### **Reporting of NAV**

Following the Valuation Time on the Valuation Day, the most recent NAV or NAV per Unit of the ETF will be made available to persons or companies, at no cost, by calling the Manager toll free at 1-416-504-9767, or checking the ETF's website at [www.lightwaterpartners.com](http://www.lightwaterpartners.com).

## **ATTRIBUTES OF THE SECURITIES**

### **Description of the Securities Distributed**

The ETF is authorized to issue an unlimited number of redeemable and transferable Units of the ETF, each of which represents an undivided interest in the net assets of the ETF, pursuant to this prospectus.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The ETF is a reporting issuer under the *Securities Act* (Ontario) and is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Each Unit of the ETF entitles the owner to one vote at meetings of Unitholders. Each Unit of the ETF is entitled to participate equally with all other Units of the same class with respect to all payments made to Unitholders, other than Management Fee Distributions and capital gains allocated and designated to a redeeming Unitholder, including distributions of net income and net realized capital gains and, on liquidation, to participate equally in the net assets of the ETF remaining after satisfaction of any outstanding liabilities that are attributable to Units of that class. All Units will be fully paid, with no liability for future assessments, when issued and will not be transferable except by operation of law. Unitholders are entitled to require the ETF to redeem their Units as outlined under the heading "Exchange and Redemption of Units".

### **Exchange of Units for Baskets of Securities**

Unitholders may exchange the applicable PNU (or an integral multiple thereof) of the ETF on any Trading Day for Baskets of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. See "Exchange and Redemption of Units – Exchange of Units at NAV per Unit for Baskets of Securities and/or Cash".

### **Redemptions of Units for Cash**

On any Trading Day, Unitholders may redeem (i) Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the NAV per Unit on the effective day of redemption, less any applicable redemption fee to offset any associated transaction costs, or (ii) a PNU or a multiple PNU for cash equal to the NAV of that number of Units less any applicable redemption fee to offset any associated transaction costs. See "Exchange and Redemption of Units – Redemption of Units for Cash".

### **Modification of Terms**

Any amendment to the Declaration of Trust that creates a new class of Units will not require notice to existing Unitholders unless such amendment in some way affects or adversely changes the existing Unitholders' rights. An amendment such as the re-designation of Units, or the termination of a class of Units, which has an effect on a Unitholder's holdings will only become effective after 30 days' notice to Unitholders of the applicable classes of Units.

All other rights attached to the Units may only be modified, amended or varied in accordance with the terms of the Declaration of Trust. See "Unitholder Matters — Amendments to the Declaration of Trust".

### **Voting Rights in the Portfolio Securities**

Holders of Units will not have any voting rights in respect of the securities in the ETF's portfolio.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

Meetings of Unitholders will be held if called by the Manager or upon the written request to the Manager of Unitholders holding not less than 25% of the then outstanding Units.

### **Matters Requiring Unitholder Approval**

NI 81-102 requires a meeting of Unitholders to be called to approve certain changes as follows:

- (i) the basis of the calculation of a fee or expense that is charged to the ETF or its Unitholders is changed in a way that could result in an increase in charges to the ETF or to its Unitholders, except where:
  - (A) the ETF is at arm's length with the person or company charging the fee; and
  - (B) the Unitholders have received at least 60 days' notice before the effective date of the change;
- (ii) a fee or expense, to be charged to the ETF or directly to the Unitholders by the ETF or the Manager in connection with the holding of Units that could result in an increase in charges to the ETF or its Unitholders, is introduced;
- (iii) the Manager is changed, unless the new manager of the ETF is an affiliate of the Manager;
- (iv) the fundamental investment objectives of the ETF are changed;
- (v) the ETF decreases the frequency of the calculation of NAV per Unit;
- (vi) other than a Permitted Merger for which Unitholder approval is not required, the ETF undertakes a reorganization with, or transfers its assets to, another mutual fund, if the ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the ETF becoming securityholders in the other mutual fund;
- (vii) the ETF undertakes a reorganization with, or acquires assets from, another mutual fund, if the ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders, and the transaction would be a material change to the ETF; or

- (viii) any matter which is required by the constitutive documents of the ETF, by the laws applicable to the ETF or by any agreement to be submitted to a vote of the Unitholders.

In addition to the foregoing, the Declaration of Trust provides that Unitholders may request to change the manager of the ETF only if such manager is in breach under the Declaration of Trust. Approval of Unitholders will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

The auditors of the ETF may not be changed unless:

- (i) the IRC of the ETF have approved the change; and
- (ii) Unitholders have received at least 60 days' notice before the effective date of the change.

Approval of Unitholders will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

#### **Amendments to the Declaration of Trust**

If a Unitholder meeting is required to amend a provision of the Declaration of Trust, no change proposed at a meeting of Unitholders shall take effect until the Manager has obtained the prior approval of not less than a majority of the votes cast at such meeting of Unitholders.

Subject to any longer notice requirements imposed under Canadian securities legislation, the Trustee is entitled to amend the Declaration of Trust by giving not less than 30 days' notice to Unitholders affected by the proposed amendment in circumstances where:

- (a) the Canadian securities legislation requires that written notice be given to Unitholders before the change takes effect;
- (b) the change would not be prohibited by Canadian securities legislation; or
- (c) the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders, so that it is equitable to give Unitholders advance notice of the proposed change.

All Unitholders shall be bound by an amendment affecting the ETF from the effective date of the amendment.

The Trustee may amend the Declaration of Trust, without the approval of or prior notice to any Unitholders, for the following purposes:

- (a) to ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the ETF or the distribution of the Units;
- (b) to remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the ETF, the Trustee or its agents;
- (c) to make any change or correction in the Declaration of Trust which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) to facilitate the administration of the ETF as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its

administration which might otherwise adversely affect the tax status of the ETF or the Unitholders;

- (e) to protect the Unitholders of the ETF; or
- (f) to make any change or correction which is necessary or desirable for the purpose of bringing the Declaration of Trust into conformity with current market practice within the securities or investment fund industries or curing or correcting any administrative difficulty.

#### **Permitted Mergers**

The ETF may, without Unitholders' approval, enter into a merger or other similar transaction which has the effect of combining the ETF or its assets (a "**Permitted Merger**") with any other investment fund or funds that have investment objectives that are similar to the ETF's portfolio, subject to:

- (a) approval of the merger by the ETF's IRC in accordance with NI 81-107;
- (b) the ETF being reorganized with, or its assets being transferred to, another mutual fund to which NI 81-102 and NI 81-107 apply, and that is managed by the Manager, or an affiliate of the Manager;
- (c) compliance with certain other requirements of applicable Canadian securities legislation; and
- (d) Unitholders have received at least 60 days' notice which notice may be by way of press release, before the effective date of the Permitted Merger.

In connection with a Permitted Merger, the merging funds will be valued at their respective NAVs for the purpose of such transaction.

#### **Reporting to Unitholders**

The Manager, on behalf of the ETF, will, in accordance with applicable laws, furnish to each Unitholder, unaudited semi-annual financial statements and an interim management report of fund performance for the ETF within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the ETF within 90 days of the end of each financial year. Both the semi-annual and the annual financial statements of the ETF will contain a statement of financial position, a statement of comprehensive income, a statement of changes in net assets attributable to holders of redeemable units, a statement of cashflows and a statement of investment portfolio.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns will also be distributed to them within 90 days after the end of each taxation year of the ETF or such other time as required by applicable law. None of the Manager nor the Registrar and Transfer Agent is responsible for tracking the adjusted cost base of a Unitholder's Units. Unitholders should consult with their tax or investment adviser in respect of how to compute the adjusted cost base of their Units and in particular how designations made by the ETF to a Unitholder affect the Unitholder's tax position.

The NAV per Unit will be determined by the Manager on each Valuation Day and will usually be published daily in the financial press.

#### **TERMINATION OF THE ETF**

Subject to complying with applicable securities law, the Manager may terminate the ETF at its discretion. In accordance with the terms of the Declaration of Trust and applicable securities law, Unitholders will be provided 60 days' advance written notice of the termination.

If the ETF is terminated, the Trustee is empowered to take all steps necessary to effect the termination of the ETF. Prior to terminating the ETF, the Trustee may discharge all of the liabilities of the ETF and distribute the net assets of the ETF to the Unitholders of the ETF.

Upon termination of the ETF, each Unitholder shall be entitled to receive at the Valuation Time on the termination date out of the assets of the ETF: (i) payment for that Unitholder's Units at the NAV per Unit for that class of Units determined at the Valuation Time on the termination date; plus (ii) where applicable, any net income and net realized capital gains that have been made payable to such Unitholder but that have not otherwise been paid to such Unitholder; less (iii) any applicable redemption charges and any taxes that are required to be deducted. Payment shall be made by cheque or other means of payment payable to such Unitholder and drawn on the ETF's bankers and may be mailed by ordinary post to such Unitholder's last address appearing in the register of Unitholders of the ETF or may be delivered by such other means of delivery acceptable to both the Manager and such Unitholder.

#### **Procedure on Termination**

The Trustee shall be entitled to retain out of any assets of the ETF, at the date of termination of the ETF, full provision for all costs, charges, expenses, claims and demands incurred or believed by the Trustee to be due or to become due in connection with or arising out of the termination of the ETF and the distribution of its assets to the Unitholders. Out of the moneys so retained, the Trustee is entitled to be indemnified and saved harmless against all costs, charges, expenses, claims and demands.

#### **PLAN OF DISTRIBUTION**

Units are being issued and sold on a continuous basis and there is no maximum number of such Units that may be issued. Units shall be offered for sale at a price equal to the NAV of the Units determined at the Valuation Time on the effective date of the subscription order.

The Units have been conditionally approved for listing on the TSX. Subject to satisfying the TSX's original listing requirements, the Units shall be listed on the TSX and investors will be able to buy or sell such Units on the TSX on a continuous basis through registered brokers and dealers in the province or territory where the investor resides.

Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or the ETF in connection with the buying or selling of Units on the TSX.

#### **Non-Resident Unitholders**

The ETF was not established and are not maintained primarily for the benefit of one or more non-resident persons within the meaning of the Tax Act. At no time may non-residents of Canada and partnerships (other than "Canadian partnerships" as defined in the Tax Act) be the beneficial owners of more than 50% of the Units of the ETF (on a number of Units or on a fair market value basis) and the Trustee shall inform the Registrar and Transfer Agent of this restriction. The Trustee may require a declaration as to the jurisdiction in which a beneficial owner of Units of the ETF is resident and, if a partnership, as to its status as a "Canadian partnership". If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the Units of the ETF then outstanding (on a number of Units or on a fair market value basis) are, or may be, non-residents and/or partnerships (other than "Canadian partnerships"), or that such a situation is imminent, the Trustee may make a public announcement thereof and the Trustee may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units of the ETF or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units of the ETF or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships (other than "Canadian partnerships") within such period, the Trustee may redeem or, on behalf of such Unitholders, dispose of such Units. Upon such redemption or sale, the affected Unitholders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such Units of the ETF.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the ETF as a mutual fund trust for purposes of the Tax Act.

#### **RELATIONSHIP BETWEEN THE ETF AND THE DEALERS**

The Manager, on behalf of the ETF, may enter into various Dealer Agreements with registered Dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units as described under “Purchases of Units”. Such registered Dealers may be related to the Manager. See “Organization and Management Details of the ETF – Conflicts of Interest”.

A Dealer Agreement may be terminated by the registered Dealer at any time by notice to the Manager, provided that, except in certain conditions, no such termination will be permitted after the registered Dealer has subscribed for Units and such subscription has been accepted by the Manager.

No Designated Broker nor any Dealer has been involved in the preparation of this prospectus, nor has it performed any review of the contents of this prospectus. The Designated Broker and Dealers do not act as underwriters of the ETF in connection with the distribution of its Units under this prospectus. See “Organization and Management Details of the ETF – Conflicts of Interest”.

#### **PRINCIPAL HOLDERS OF UNITS**

CDS & Co., the nominee of CDS, is the registered owner of the Units, which it holds for various brokers and other persons on behalf of their clients and others. From time to time, the Designated Broker, Dealers, or another investment fund managed by the Manager or an affiliate thereof, may beneficially own, directly or indirectly, more than 10% of the Units of the ETF.

#### **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

In the event that proxies associated with securities held by the ETF are voted, such securities will be voted in accordance with the best interests of Unitholders determined at the time the vote is cast.

The Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. Any conflict of interest will be resolved in a way that most benefits Unitholders. The Manager’s proxy voting policies and procedures set out various considerations that the Manager will address when voting, or refraining from voting, proxies, including that:

- (a) the Manager will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management’s position would not be in the best interests of Unitholders;
- (b) the Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by shareholders of the issuer with a focus on the potential impact of the vote on the ETF’s NAV; and
- (c) the Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Manager determines that it is not in the best interests of Unitholders to vote, the Manager will not be required to vote.

Where appropriate in the circumstances, including with respect to any situations in which the ETF is in a conflict-of-interest position, the Manager will seek the advice of the IRC prior to casting its vote.

The policies and procedures that the ETF follow when voting proxies relating to portfolio securities are available on request, at no cost, by calling 1-416-504-9767 or via email at [coil@lightwaterpartners.com](mailto:coil@lightwaterpartners.com).

The Manager will post the proxy voting record of the ETF for the most recent period ended June 30 annually any time after August 31 of that year at [www.lightwaterpartners.com](http://www.lightwaterpartners.com). The ETF will send the most recent proxy voting policies and procedures and proxy voting record, without charge, to any Unitholder upon a request made by the Unitholder. Information contained on the ETF's website is not part of this prospectus and is not incorporated herein by reference.

## MATERIAL CONTRACTS

The only contracts material to the ETF are the:

- (a) **Declaration of Trust.** For additional disclosure related to the Declaration of Trust, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETF – The Trustee”, “Attributes of the Securities – Modification of Terms”, and “Unitholder Matters – Amendments to the Declaration of Trust”; and
- (b) **Custodian Agreement.** For additional disclosure related to the Custodian Agreement, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETF – Custodian”;

Copies of these agreements may be examined at the head office of the Manager located at 372 Bay Street, Suite 1700, Toronto, Ontario, Canada, M5H 2W9.

## LEGAL AND ADMINISTRATIVE PROCEEDINGS

The ETF is not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving the ETF.

## EXPERTS

The matters referred to under “Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the ETF by Mintz LLP.

Goodman & Associates LLP, the auditor of the ETF has prepared an independent auditor's report in respect of the 2026 preliminary financial statements. Goodman & Associates LLP has confirmed that it is independent with respect to the ETF within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

## EXEMPTIONS AND APPROVALS

The Manager, on behalf of the ETF, has obtained exemptive relief from the Canadian securities regulatory authorities:

- (a) to permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation provided the Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders. See “Purchases of Units”; and
- (b) to relieve the ETF from the requirement that a prospectus contain a certificate of the underwriters.

## **OTHER MATERIAL FACTS**

### **International Information Reporting**

Pursuant to the Canada-United States Enhanced Tax Information Exchange Agreement entered into between Canada and the United States on February 5, 2014 and related Canadian legislation in the Tax Act (the “**IGA Provisions**”), the dealers through which Unitholders hold their Units are required to report certain information with respect to Unitholders who are U.S. residents or U.S. citizens (including U.S. citizens who are residents and/or citizens of Canada) or certain entities the “controlling persons” of which are “U.S. Persons”, as defined under the IGA Provisions (excluding Plans, as defined above under “Income Tax Considerations – Status of the ETF”), to the CRA. The CRA is expected to provide the information to the U.S. Internal Revenue Service.

Pursuant to the provisions of the Tax Act that implement the Organization for Economic Co-operation and Development Common Reporting Standard (the “**CRS Provisions**”), “Canadian financial institutions” (as defined in the CRS Provisions) are required to have procedures in place to identify accounts held by tax residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are tax resident in a foreign country (other than the U.S.) and to report required information to the CRA. Such information is expected to be exchanged on a reciprocal, bilateral basis with the countries, where such countries have agreed to a bilateral information exchange with Canada under the Common Reporting Standard in which the account holders or such controlling persons are tax resident. Under the CRS Provisions, Unitholders are required to provide certain information regarding their investment in the ETF for the purpose of such information exchange, unless the investment is held within a Plan.

### **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Additional information about the ETF is, or will be, available in the following documents:

- (a) the most recently filed comparative annual financial statements, together with the accompanying report of the auditor;
- (b) any interim financial statements filed after those annual financial statements;
- (c) the most recently filed annual management report of fund performance;
- (d) any interim management report of fund performance filed after that most recently filed annual management report of fund performance; and
- (e) the most recently filed ETF Facts.

These documents are or will be incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can obtain a copy of these documents,

at your request, and at no cost, by calling toll-free at 1-416-504-9767 or by e-mail at [coil@lightwaterpartners.com](mailto:coil@lightwaterpartners.com) or by contacting your dealer. These documents are, or will be, available on the ETF's website at [www.lightwaterpartners.com](http://www.lightwaterpartners.com). These documents and other information about the ETF are, or will be, available on the internet at [www.sedarplus.com](http://www.sedarplus.com).

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the ETF after the date of this prospectus and before the termination of the distribution of the ETF are deemed to be incorporated by reference into this prospectus.

*[Remainder of page intentionally left blank.]*

## INDEPENDENT AUDITOR'S REPORT

**To the Unitholder and Trustee of the All-Canadian Oil & Gas ETF (the "Fund").**

### **Our opinion**

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Fund as at March 6, 2026 in accordance with those requirements of IFRS Accounting Standards relevant to preparing a statement of financial position.

### What we have audited

The Fund's financial statement comprises the statement of financial position as at March 6, 2026 and the notes to the financial statement, comprising material accounting policy information and other explanatory information.

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statement section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Emphasis of matter – basis of accounting**

We draw to users' attention the fact that the financial statement does not comprise full set of financial statements prepared in accordance with IFRS Accounting Standards. Our opinion is not modified in respect of this matter.

### **Responsibilities of management and those charged with governance for the financial statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of IFRS Accounting Standards relevant to preparing a statement of financial position, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can

arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 6, 2026

**ALL-CANADIAN OIL & GAS ETF**  
**STATEMENT OF FINANCIAL POSITION**

(Expressed in Canadian \$)

As at March 6, 2026

Cash .....	\$150,000
------------	-----------

<b>Net Assets attributable to holders of redeemable Units</b> (15,000 units issued and redeemable)	\$150,000
---	-----------

*The accompanying notes are an integral part of this statement of financial position.*

Approved by the board of directors of Lightwater Partners Ltd., the manager of the All-Canadian Oil & Gas ETF.

By: "*Jerome Hass*"  
 Jerome Hass  
 Director

By: "*Andy MacLean*"  
 Andy MacLean  
 Director

## NOTES TO STATEMENT OF FINANCIAL POSITION

As at March 6, 2026

### (1) GENERAL INFORMATION

The All-Canadian Oil & Gas ETF (the “**Fund**”) is an exchange-traded mutual fund ETF established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of February 2, 2026. The Fund issues units (“**Units**”) on a continuous basis and is authorized to issue an unlimited number of redeemable, transferable Units, which are denominated in Canadian dollars. All capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the prospectus of the Fund.

On February 2, 2026, the Fund was settled and issued one (1) Unit for cash consideration of CAD \$10.00 to Jerome Hass, the Chief Executive Officer of Lightwater Partners Ltd., the manager of the Fund (the “**Manager**”).

The Fund’s investment objectives are to provide holders of Units of the Fund with quarterly cash distributions and the opportunity for capital appreciation by investing in securities of publicly listed companies in the Canadian oil & gas industry. Under normal market conditions, the Fund will primarily invest in equity, equity-related and fixed-income securities of publicly listed companies in the Canadian oil & gas industry.

The statement of financial position was approved by the board of directors of the Manager on March 6, 2026.

### (2) MATERIAL ACCOUNTING POLICY INFORMATION

The financial statement of the Fund has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”) relevant to preparing a statement of financial position. In applying IFRS Accounting Standards, management may make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. The following is a summary of material accounting policy information followed by the Fund in the preparation of its financial statement.

#### *Cash*

Cash is comprised of cash on deposit with a Canadian financial institution.

#### *Functional and Presentation Currency*

The Canadian dollar is the functional and presentation currency for the Fund.

#### *Valuation of Units for Transaction Purposes*

The Net Asset Value per Unit on any day will be obtained by dividing the Net Asset Value of the Fund allocable to the Units of such class on such day, by the total number of Units of such class outstanding on such day.

As used herein, (i) “Net Asset Value” means the net asset value of the Fund determined by subtracting the aggregate liabilities of the Fund from the Total Assets on the date on which the calculation is being made; and (ii) “Total Assets” means the aggregate value of the assets of the Fund.

#### *Classifications of Redeemable Units*

International Accounting Standard 32 *Financial Instruments: Presentation* (“**IAS 32**”) requires that the

obligation for net assets attributable to holder of redeemable Units of the Fund to be presented at the redemption amount. The Units of the Fund are redeemable at the option of the Unitholder in accordance with the term described in note 4.

Redemption of Units at 95% of the closing price for the Units on the TSX on the effective day of the redemption results in a situation where the redemption value of this puttable instrument is not based substantially on the net assets of the Fund. As a result, the Fund's obligation for net assets attributable to a holder of a redeemable Units are classified as financial liabilities and presented at the redemption amounts.

**(3) RELATED PARTY TRANSACTIONS**

As at March 6, 2026, Jerome Hass, the Chief Executive Officer of the Manager, has subscribed for and holds 15,000 Units for CAD \$150,000.00 in the Fund, and therefore holds all of the issued and outstanding Units of the Fund.

The Fund pays an annual management fee of 1.00% plus HST to the Manager payable monthly in arrears based on the NAV of the Units, calculated at each Valuation Time of the Fund during that month.

The Manager receives a performance fee in respect of the Units of the Fund, which is calculated and accrued for each such class each Trading Day during the relevant Performance Fee Determination Period. The Fund will pay the Manager a performance fee plus HST and any other applicable taxes for each Performance Fee Determination Period equal to 20% of the amount by which the Net Profit of each of the applicable class of units exceeds the Performance Hurdle, subject to the High-water Mark.

In compliance with securities regulations, the Fund will not issue Units to the public until subscriptions aggregating not less than \$500,000 have been received by the Fund from investors other than persons or entities related to the Manager and have been accepted by the Fund.

**(4) REDEMPTIONS**

On any Trading Day, Unitholders may redeem (i) Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the NAV per Unit on the effective day of redemption, less any applicable redemption fee to offset any associated transaction costs, or (ii) a PNU or a multiple PNU for cash equal to the NAV of that number of Units less any applicable redemption fee to offset any associated transaction costs.

**CERTIFICATE OF THE ETF AND THE TRUSTEE, MANAGER AND PROMOTER**

Dated: March 6, 2026

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut.

**LIGHTWATER PARTNERS LTD.,  
AS TRUSTEE AND MANAGER OF THE ETF**

(signed) “Jerome Hass”  
Jerome Hass  
Chief Executive Officer

(signed) “Andy MacLean”  
Andy MacLean  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF LIGHTWATER PARTNERS LTD.**

(signed) “Jerome Hass”  
Jerome Hass  
Director

(signed) “Andy MacLean”  
Andy MacLean  
Director

(signed) “John W. King”  
John W. King  
Director

**LIGHTWATER PARTNERS LTD.,  
AS PROMOTER OF THE ETF**

(signed) “Jerome Hass”  
Jerome Hass  
Chief Executive Officer