

This offering memorandum constitutes an offering of the securities described herein only in those jurisdictions where they may be lawfully offered for sale and therein only persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale. No securities commission or similar regulatory authority has passed on the merits of these securities or reviewed this offering memorandum and any representation to the contrary is an offence. No prospectus has been filed with any such authority in connection with the securities offered hereunder. This offering memorandum is not, and under no circumstances is to be construed as, a public offering or advertisement of securities. These securities offered hereunder do not trade on any exchange or market. Subject to the availability of exemptions from the prospectus and registration requirements under applicable securities laws, holders of securities offered hereunder will be restricted from selling their securities for an indefinite period. Holders of securities offered hereunder will have certain redemption rights as described in this offering memorandum. This offering memorandum is confidential and is provided to specific prospective investors for the purpose of assisting them and their professional advisors in evaluating the securities offered hereby and is not to be construed as a prospectus or advertisement or a public offering of these securities. This document, though it is entitled "Confidential Offering Memorandum", does not and is not intended to be relied upon as an offering memorandum prepared in compliance with the requirements of section 2.9 of National Instrument 45-106 "Prospectus Exemptions".



TAYLOR PARTNERS FUND

CONFIDENTIAL OFFERING MEMORANDUM

July 29, 2016

Class A units, Class F units, Class E units and Class I units (each, a "Unit" and collectively, the "Units") of the Taylor Partners Fund (the "Fund"), are being offered on a continuous and private placement basis in accordance with applicable securities legislation to an unlimited number of subscribers who (a) are accredited investors (as defined in National Instrument 45-106 *Prospectus Exemptions*); or (b) invest a minimum of \$150,000 and are not individuals; and (c) in either case, purchase Units as principal (within the meaning of applicable securities legislation).

Units are offered at the price equal to the net asset value per Unit of the applicable class ("Class Net Asset Value per Unit") as determined in accordance with the declaration of trust governing the Fund (the "Declaration of Trust"). Units are not transferable except with the consent of Taylor Asset Management Inc. (the "Manager"), the manager and trustee of the Fund.

Units are subject to restrictions on resale under applicable securities legislation, rules and regulations; unless a further statutory exemption may be relied upon by the investor or an appropriate discretionary order is obtained from the appropriate securities regulatory authorities pursuant to applicable securities laws. As there is no market for the Units, it may be difficult or even impossible for subscribers to sell their Units.

Units may be redeemed at their Class Net Asset Value per Unit determined in accordance with the Declaration of Trust at the close of business on each Business Day (any day on which the Toronto Stock Exchange ("TSX") is open for trading is hereinafter referred to as a "Business Day") or such other time as the Manager determines (each, a "Valuation Date") provided the Manager has received a notice of redemption in respect of such Units prior to 4:00 p.m. (Eastern time) on such Valuation Date, otherwise such Units will be redeemed on the next Valuation Date. There are important tax consequences associated with an investment in Units of the Fund. See "Canadian Federal Income Tax Considerations".

If there is a misrepresentation in this Offering Memorandum, you have the right to cancel the purchase agreement or to seek damages. See "Purchasers' Rights of Action for Damages or Rescission".

This is a risky investment. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. Investors are urged to consult with an independent financial and legal advisor prior to investing in the Fund. See "Risk Factors".

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS	1
SUMMARY OF THE OFFERING	2
THE FUND.....	7
INVESTMENT OBJECTIVE, APPROACH, STRATEGIES AND RESTRICTIONS	7
Investment Objective.....	7
Investment Approach.....	7
Investment Strategies and Portfolio Construction	7
Investment Restrictions	8
Deviations From Investment Mandate	9
Leverage	9
Use of Derivatives	10
Use of Currency Hedging.....	10
MANAGEMENT OF THE FUND	10
The Manager	10
Officers, Directors and Key Portfolio Management Personnel of the Manager	10
The Trustee.....	12
Conflicts of Interest	12
UNITS OF THE FUND	13
INVESTING IN THE FUND	13
Investors	14
Purchase of Units	14
Purchase Price	14
Initial Minimum Investment.....	14
Additional Investments.....	15
Accredited Investors.....	15
Purchases Under the Front-End Sales Charge Option.....	15
Early Redemption Fee	15
Eligibility for Investment	15
FEES AND EXPENSES.....	16
Management Fee	16
Performance Fee.....	16
Administration Fees and Expenses.....	17
DEALER COMPENSATION	17
Sales Commissions.....	17

Servicing Fee.....	17
DISTRIBUTIONS	18
PORTFOLIO VALUATION AND NET ASSET VALUE	18
REDEMPTION OF UNITS.....	20
RISK FACTORS	21
General Risk.....	21
Business Risks.....	21
Net Asset Value.....	21
Potential Lack of Diversification.....	21
Short Sale Equity Positions	21
Use of Leverage	22
Use of Options.....	22
Hedging	23
Portfolio Turnover.....	23
Counterparty Risk.....	23
Interest Rate Fluctuations	23
Liquidity Risk.....	23
Foreign Currency Exposure.....	24
International Investment.....	24
Legal, Tax and Regulatory Risks	24
Use of a Prime Broker to Hold Assets.....	24
Multiple Classes of Units	25
Unitholder Liability	25
LIMITATION ON NON-RESIDENT OWNERSHIP	25
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	25
Status of the Fund.....	26
Taxation of the Fund	26
Taxation of Unitholders.....	27
REPORTING TO UNITHOLDERS	27
AMENDMENT OF THE DECLARATION OF TRUST AND TERMINATION OF THE FUND.....	28
OTHER SERVICE PROVIDERS	28
Administrator, Valuation Agent, Unitholder Record Keeper	28
Custodian and Prime Broker	28
Auditor	28
MATERIAL CONTRACTS	28

BROKERAGE ARRANGEMENTS	28
PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION	29
PURCHASERS' RIGHTS OF ACTION FOR DAMAGES OR RESCISSION	29
Rights of Purchasers in Ontario	30
Rights of Purchasers in Alberta	31
Rights of Purchasers in Saskatchewan	32
Rights of Purchasers in Manitoba	33
Rights of Purchasers in Nova Scotia	35
Rights of Purchasers in New Brunswick	36
Rights of Purchasers in Prince Edward Island	37
Rights of Purchasers in Newfoundland and Labrador	38
Rights of Purchasers in Yukon	39
Rights for Purchasers in Northwest Territories	41
Rights for Purchasers in Nunavut	43
CERTIFICATE.....	46

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “will”, “proposes”, “expects”, “estimates”, “intends”, “anticipates” or “believes”, or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Fund’s actual results, performance or developments to be materially different from any future results, performance or developments expressed or implied by the forward-looking statements.

While the Fund and the Manager anticipate that subsequent events and developments may cause its views to change, the Fund and the Manager specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Fund or the Manager’s views as of any date subsequent to the date of this Offering Memorandum. Although the Fund and the Manager have attempted to identify important factors that could cause actual results, performance or developments to differ materially from those described in forward-looking statements, there may be other factors that cause results, performance or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance or developments could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Fund. Investors are urged to read “Risk Factors” for a discussion of other factors that may impact the operations and success of the Fund.

SUMMARY OF THE OFFERING

Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund. The following is a summary only and is qualified by the more detailed information contained in this Offering Memorandum. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Fund	The Fund is an open-end investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated May 31, 2013, as may be amended from time to time. Taylor Asset Management Inc., a registered portfolio manager, exempt market dealer and investment fund manager, is the Manager of the Fund. See “Management of the Fund”.
Investment Objective	The investment objective of the Fund is to provide long-term capital appreciation and to provide attractive risk-adjusted rates of return. See “Investment Objective, Approach, Strategies and Restrictions”.
Investment Strategies	<p>To achieve the Fund's investment objective, the Manager, on behalf of the Fund will:</p> <ul style="list-style-type: none"> • invest primarily in equity securities of Canadian and US-listed issuers, including common shares and preferred shares, and to a lesser extent in other kinds of securities including units and warrants, • write or acquire put and call options or acquire futures contracts including commodities futures, convertible bonds, payment-in-kind bonds, discounted debt instruments, restructured debt securities, loan assignments, loan participations and high yield, lower rated debt securities, as well as securities of companies undergoing a reorganization and government issued securities of emerging market countries or other countries; • invest in companies that appear attractive based on valuations; • seek out attractive private placement opportunities in securities of publicly traded issuers; • seek out investment opportunities in issuers trading at a discount due to temporary events caused by market reactions to negative news; • short sell securities of companies deemed unattractive due to deteriorating fundamentals, negative surprises and unattractive valuations, or to hedge issuer or market exposure of the Fund. <p>The Manager will take a prudent approach to managing individual security and sector exposures and will continually monitor the securities held by the Fund in order to ensure their ongoing suitability in the investment portfolio of the Fund. Using a bottom up approach to investment analysis, the Manager will generally seek to construct a portfolio of best investment ideas by investing in shares or other equity securities of quality businesses that are temporarily undervalued and selling short shares of lower quality companies and that are trading at excessive valuations or are expected to experience negative fundamental change. The Fund has no asset class or market capitalization restrictions.</p> <p>See “Investment Objective, Approach, Strategies and Restrictions”.</p>
Leverage	<p>The Fund may utilize leverage to a maximum of 20% in the aggregate (at the time of obtaining the leverage) of the net asset value of the Fund (“Net Asset Value”) for the purposes of enhancing Fund returns, acquiring assets for the Fund and other short term funding purposes.</p> <p>Leverage may be obtained as a result of, among other things, margin borrowing, short sales and the writing of uncovered options.</p>

	<p>The total exposure of the Fund through leverage will be calculated as the value of the total long security positions, excluding cash and cash equivalents, plus the absolute value of the total un-hedged short positions, excluding any negative cash balances, divided by the Net Asset Value of the Fund.</p> <p>For greater certainty, in determining the leveraged exposure of the Fund, any short positions of the Fund which are intended to be used for hedging purposes for long positions in the Fund will not be included in the calculation of leverage.</p> <p>See “Leverage”.</p>
Investment Restrictions	<p>The Fund has no asset class or market capitalization restrictions, however, the Fund shall comply at all times with any investment restrictions that apply to it under applicable law, including any restrictions under applicable securities or tax legislation. The Fund will not engage in any undertaking other than the investment of its assets in accordance with the Fund’s investment objective, strategies and restrictions, and such activities as are necessary or ancillary with respect thereto.</p> <p>The investment activities of the Fund are to be conducted in accordance with, among other things, the following investment restrictions which provide that:</p> <ul style="list-style-type: none"> (i) the Fund will not invest more than 10% of the aggregate value of the assets of the Fund (“Total Assets”) at the time of investment in illiquid assets as defined in National Instrument 81-102 “Investment Funds” (“NI 81-102”); (ii) the Fund will not invest more than 25% of the Total Assets at the time of investment in non-North American equities; (iii) the Fund will not invest more than 30% of the Total Assets at the time of investment in any industry sector; (iv) the Fund will not invest more than 7.5% of the Total Assets at the time of investment in the securities of any one issuer; (v) the Fund will not purchase any physical commodity; (vi) the Fund shall not invest directly in land or buildings (or any options, rights or interests in respect thereof); (vii) the Fund may take short sale positions in respect of shares which are listed on a recognized Western European, Canadian, Japanese or U.S. stock exchange up to 20% (at the time of investment) of the Net Asset Value of the Fund (less the amount of any other leverage of the Fund at the time of investment and not including any leverage obtained as a result of hedging activity by the Fund); and (viii) to the extent that the Fund writes uncovered options, the market value of the underlying assets will not exceed 20% of the Net Asset Value of the Fund (less the amount of any other leverage of the Fund at the time of investment and not including any leverage obtained as a result of hedging activity by the Fund). <p>See “Investment Objective, Approach, Strategies and Restrictions”.</p>
Investor Suitability	<p>Generally speaking, this Fund is suitable for growth-oriented investors who have longer investment time horizons and above average tolerance for risk and volatility. Investors can invest a component of their total portfolio in the Fund to provide portfolio diversification and growth. An investment in Units is suitable only for sophisticated investors who do not need</p>

	full liquidity with respect to their investment.
The Offering	<p>Class A Units, Class F Units, Class E Units and Class I Units are being offered on a continuous basis to investors resident in each of the provinces and territories of Canada pursuant to exemptions from the prospectus requirements of applicable securities legislation. The difference between Class A, Class F, Class E and Class I Units is the different fee structure and administrative expenses associated with each class. See “Investing in the Fund”.</p> <p>Units will be issued at the Class Net Asset Value per Unit determined on the applicable Valuation Date. See “Investing in the Fund”.</p>
Risk Factors	Investment in the Fund involves certain risks. Investors should consider the risk factors described in this Offering Memorandum before investing. See "Risk Factors".
Manager and Trustee	Taylor Asset Management Inc. is the Manager and trustee of the Fund and is responsible for directing the undertaking, operations and affairs required by the Fund, including the management of the Fund's investment portfolio. The Manager is registered as an exempt market dealer, investment fund manager and portfolio manager. Taylor Asset Management Inc. was formed in December 2011 by its founder, David F. Taylor. The Manager may seek the advice of outside advisors as required and selected from time to time. See “The Fund” and “Management of the Fund”.
Management Fee	<p>As compensation for providing its services to the Fund, the Manager receives a management fee (the “Management Fee”) calculated as an annual percentage of the applicable Class Net Asset Value. The Management Fee is calculated and accrued on each Valuation Date, plus any applicable HST, and is payable monthly in arrears.</p> <p>The annual management fee is 2.00% in respect of Class A Units, 1.00% in respect of Class F Units, and 0.70% in respect of Class E Units.</p> <p>Any Management Fee payable in respect of Class I Units of the Fund shall be in an amount determined by negotiation between the Manager and each investor in Class I Units.</p> <p>The Manager is responsible for the fees of its advisors, its own expenses and promotional fees. See “Fees and Expenses”.</p>
Performance Fee	<p>The Fund is required to pay to the Manager an annual performance fee (“Performance Fee”) equal to (a) 10% of the amount by which the Class Net Asset Value per Unit on the last Valuation Date of a calendar year (before giving effect to any distributions by the Fund since the High Water Mark (defined below) and adjusted to exclude the accrual of the Performance Fee during the calendar year) exceeds 105% of the High Water Mark (or the <i>pro rata</i> portion of a 5% hurdle rate in the event that the calculation period is less than a full year), multiplied by (b) the average number of Units of that class outstanding during such calendar year on a time-weighted basis.</p> <p>The Fund’s “High Water Mark” is:</p> <p>(a) the Initial High Water Mark of \$10.00 per unit; or</p> <p>(b) in respect of any calendar year subsequent to a year for which Performance Fees were paid on or after the last Valuation Date of the calendar year, the greater of:</p> <p>(i) the Class Net Asset Value per Unit on the last Valuation Date of the most recent calendar year for which Performance Fees were paid after giving effect to all</p>

	<p>distributions in, and payments of Performance Fees for, such calendar year applicable to that class, and</p> <p>(ii) the Class Net Asset Value per Unit on the last Valuation Date of any calendar year subsequent to the most recent calendar year for which Performance Fees applicable to such class were paid before giving effect to all distributions since such calendar year;</p> <p>provided that if the High Water Mark is the Class Net Asset Value per Unit in (ii) above then, for purposes of calculating the Performance Fee, the High Water Mark for that calendar year will be the Class Net Asset Value per Unit on the last Valuation Date after giving effect to all distributions.</p> <p>Performance Fees are calculated and accrued on each Valuation Date such that the Class Net Asset Value per Unit reflects such accrual. See “Fees and Expenses”.</p>
Service Fee	<p>The Manager intends to pay a service fee to dealers equal to 1% per annum of the Class Net Asset Value of the Class A Units held in client accounts of such dealers. Service fee payments are calculated and accrued on each Valuation Date and paid quarterly, in arrears. The Manager may vary the terms, conditions and/or frequency of the service fee program from time to time in its sole discretion. See “Fees and Expenses”.</p>
Administration Fees and Expenses of the Fund	<p>The Fund is responsible for the payment of all fees and expenses relating to its operation, including legal and audit fees and expenses, taxes, brokerage commissions, borrowing fees and the costs and expenses relating to prime brokerage services, FundSERV access costs, interest, operating and administrative expenses (other than dealer compensation programs and any advertising, marketing, sponsorship and promotional costs and expenses which are the responsibility of the Manager), regulatory expenses, custody and safekeeping charges, expenses relating to the issue and redemption of Units, of providing financial and other reports to holders of Units (each, a “Unitholder”) and convening and conducting meetings of Unitholders, the offering of Units or relating to complying with all applicable laws, regulations and policies. See “Fees and Expenses”.</p>
Distributions	<p>The Fund will distribute annually to investors sufficient income and capital gains (net of applicable losses) so that it will not have any liability for Canadian federal income tax under Part I of the <i>Income Tax Act</i> (Canada) (the “Tax Act”). Distributions will be paid or payable by December 31 of each year and at such other times as may be determined by the Manager. All distributions of the Fund will be automatically reinvested, without charge, in additional Units of the same class at their Class Net Asset Value per Unit on the date of distribution unless the Unitholder otherwise directs in writing. See "Canadian Federal Income Tax Considerations".</p>
Taxation of the Fund	<p>The Fund is required to include in computing its income in respect of each taxation year dividends received by it, distributions paid or payable to it by a trust, its allocated share of income from partnerships, accrued interest, the amount of gains from most types of derivative transactions and any other transactions on income account, and the taxable portion of net realized capital gains. The Fund may deduct in computing its income reasonable expenses incurred by it for the purposes of earning income. In addition, the Fund may deduct amounts of Fund income (including net taxable capital gains) paid or payable to Unitholders. Net income and net realized taxable capital gains of the Fund paid or payable to Unitholders generally will be required to be included in computing the income of the Unitholder, including the amount of reinvested distributions. See "Canadian Federal Income Tax Considerations".</p>

Eligibility for Investments	<p>Provided the Fund qualifies at all relevant times as a “mutual fund trust” for purposes of the Tax Act, Units will be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.</p> <p>Notwithstanding the foregoing, the holder of a tax-free savings account, or the annuitant under a registered retirement savings plan or registered retirement income fund, will be subject to a penalty tax in respect of Units held by such tax-free savings account, registered retirement savings plan or registered retirement income fund, as the case may be, if such Units are a “prohibited investment” for such plan trusts for the purposes of the Tax Act. The Units will not be a “prohibited investment” for trusts governed by such plan trusts unless the holder of the tax-free savings account or the annuitant under the registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Tax Act, or (ii) has a “significant interest” as defined in the Tax Act in the Fund. Generally, a holder or annuitant, as the case may be, will not have a “significant interest” in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm’s length.</p> <p>Unitholders or annuitants should consult their own tax advisors with respect to whether Units would be prohibited investments.</p>
Reporting to Unitholders	<p>Statements for Canadian tax purposes reporting distributions and other relevant information will be sent to all Unitholders annually on or before the date prescribed by law for such reporting. See “Reporting to Unitholders”.</p>
Statutory Rights of Action	<p>Investors are entitled to the benefits of certain rights of action. See “Purchasers’ Rights of Action for Damages or Rescission”.</p>
Fiscal Year End	<p>December 31</p>
Auditors	<p>PricewaterhouseCoopers LLP, Toronto, Ontario</p>
Custodian and Prime Broker	<p>TD Securities Inc.</p>
Administrator, Valuation Agent and Unitholder Record Keeper	<p>CIBC Mellon Global Securities Services Company</p>
Legal Advisor	<p>Wildeboer Dellelce LLP</p>

THE FUND

Taylor Partners Fund is an open-end investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated May 31, 2013, as may be amended from time to time. Taylor Asset Management Inc. is Manager and Trustee of the Fund. The office of the Fund, the Manager and Trustee is located at Bay Adelaide Centre, 333 Bay Street, Suite 1230, Toronto, Ontario M5H 2R2, Canada, telephone: (416) 304-9670, facsimile: (866) 542-2894, website: www.taylorassetmanagement.com.

An investment in the Fund is represented by Units, each of which represents an interest in the net assets of the Fund. The Fund currently offers four classes of Units, namely Class A Units, Class F Units, Class E Units and Class I Units. Additional classes of Units may be offered in the future. See "Units of the Fund". There is no minimum or maximum number of Units offered or minimum or maximum proceeds from the sale of Units.

INVESTMENT OBJECTIVE, APPROACH, STRATEGIES AND RESTRICTIONS

Investment Objective

The investment objective of the Fund is to provide long-term capital appreciation and to provide attractive risk-adjusted rates of return.

Investment Approach

The Taylor Asset Management investment team has a strict value-oriented approach to security selection. Proprietary screens are used to identify fundamentally sound companies that are temporarily out of favour and trade at significant discounts to intrinsic value. This approach includes looking for companies with strong track records of performance that are temporarily undervalued due to some short term aberration. Clean balance sheets, strong cash flow generation and purchasing securities at a discount to their intrinsic value provide a margin of safety.

Investment Strategies and Portfolio Construction

To achieve the Fund's investment objective, the Fund will, from time to time and among other investment strategies:

- (i) invest primarily in equity securities of Canadian and US-listed issuers, including common shares and preferred shares, and to a lesser extent in other kinds of securities including units and warrants;
- (ii) write or acquire put and call options or acquire futures contracts including commodities futures, convertible bonds, payment-in-kind bonds, discounted debt instruments, restructured debt securities, loan assignments, loan participations and high yield, lower rated debt securities, as well as securities of companies undergoing a reorganization and government issued securities of emerging market countries or other countries;
- (iii) invest in companies that appear attractive based on valuations;
- (iv) seek out attractive private placement opportunities in securities of publicly traded issuers;
- (v) seek out investment opportunities in issuers trading at a discount due to temporary events caused by market reactions to negative news; and
- (vi) short sell securities of companies deemed unattractive due to deteriorating fundamentals, negative surprises and unattractive valuations, or to hedge issuer or market exposure of the Fund.

The Manager is responsible for selecting and managing the portfolio investments of the Fund. The Manager will

take a prudent approach to managing individual security and sector exposures and will continually monitor the securities held by the Fund in order to ensure their ongoing suitability in the investment portfolio of the Fund.

Using a bottom up approach to investment analysis, the Manager will generally seek to construct a portfolio of best investment ideas by investing in shares or other equity securities of quality businesses that are temporarily undervalued and selling short shares of lower quality companies and that are trading at excessive valuations or are expected to experience negative fundamental change. The Fund has no asset class or market capitalization restrictions.

The Manager may use techniques such as fundamental analysis which involves evaluating the financial condition and management of a company, its industry and the overall economy. As part of this evaluation, the Manager analyzes financial data and other information sources, assesses the quality of a company's management and conducts company interviews, where possible.

From time to time the relative proportions of the Fund's investment portfolio invested in any one geographic region may vary in order to take advantage of international stock market cycles, to obtain a greater degree of geographic diversification for the portfolio or for other investment considerations determined by the Manager.

The Fund may employ leverage as described below.

Investment Restrictions

The Fund has no asset class or market capitalization restrictions, however, the Fund shall be subject to the following restrictions:

- (i) the Fund will not invest more than 10% of the Total Assets at the time of investment in illiquid assets as defined in NI 81-102;
- (ii) the Fund will not invest more than 25% of the Total Assets at the time of investment in non-North American equities;
- (iii) the Fund will not invest more than 30% of the Total Assets at the time of investment in any industry sector;
- (iv) the Fund will not invest more than 7.5% of the Total Assets at the time of investment in the securities of any one issuer;
- (v) the Fund will not purchase any physical commodity;
- (vi) the Fund shall not invest directly in land or buildings (or any options, rights or interests in respect thereof);
- (vii) the Fund may take short sale positions in respect of shares which are listed on a recognized Western European, Canadian, Japanese or U.S. stock exchange up to 20% (at the time of investment) of the Net Asset Value of the Fund (less the amount of any other leverage of the Fund at the time of investment and not including any leverage obtained as a result of hedging activity by the Fund); and
- (viii) to the extent that the Fund writes uncovered options, the market value of the underlying assets will not exceed 20% of the Net Asset Value of the Fund (less the amount of any other leverage of the Fund at the time of investment and not including any leverage obtained as a result of hedging activity by the Fund).

The foregoing investment restrictions that may be pursued by the Fund are not intended to be exhaustive and other

strategies and restrictions may also be employed.

Deviations From Investment Mandate

Notwithstanding the stated investment objectives and strategies of the Fund, the Manager may, in its sole discretion having regard to prevailing economic or market conditions or other relevant considerations, deviate from such investment objectives and strategies without prior notice for purposes of holding cash, cash equivalents or fixed income securities.

Leverage

The Fund may utilize leverage to a maximum of 20% in the aggregate (at the time of obtaining the leverage) of the Net Asset Value of the Fund for the purposes of enhancing Fund returns, acquiring assets for the Fund and other short term funding purposes.

The total exposure of the Fund through leverage will be calculated as the value of the total long security positions, excluding cash and cash equivalents, plus the absolute value of the total un-hedged short positions, excluding any negative cash balances, divided by the Net Asset Value of the Fund.

For greater certainty, in determining the leveraged exposure of the Fund, any short positions of the Fund which are intended to be used for hedging purposes for long positions in the Fund will not be included in the calculation of leverage.

Leverage may be obtained as a result of, among other things, margin borrowing, short sales and the writing of uncovered options subject to the following:

- (a) the Fund may purchase securities on margin or with borrowed funds provided that:
 - (i) only "marketable securities" (being securities for which a ready market exists and, therefore, can be sold easily and quickly) may be purchased using this form of leverage;
 - (ii) all borrowings by the Fund for this purpose must be from arm's length financial institutions and must be on normal commercial terms; and
 - (iii) all purchases on margin must comply with the margining requirements of any applicable stock exchange or other regulatory body;
- (b) margined short sales must meet minimum margin requirements set by the applicable regulatory authorities; and
- (c) the Fund may write uncovered options provided that:
 - (i) all options written by the Fund must be traded on a recognized options exchange;
 - (ii) the options must be in respect of publicly listed stocks or bonds, a recognized stock or bond index or currencies; and
 - (iii) the option written must be sold through a broker and must conform with standardized rules issued by applicable exchanges.

Use of Derivatives

The Fund may use derivatives, including, without limitation, forward and futures contracts, options and swaps and may use derivative techniques for hedging and non-hedging purposes and to obtain economic exposure to or the economic benefit of an investment in an entity or asset without making a direct investment. See “Risk Factors”.

Use of Currency Hedging

The Manager may hedge exposure to foreign currencies that it believes are at risk of devaluing relative to the Canadian dollar. The Manager has discretion to hedge up to 100% of the value of the assets of the Fund that are denominated in foreign currencies to the Canadian dollar.

MANAGEMENT OF THE FUND

The Manager

Taylor Asset Management Inc. is the Manager of the Fund and is responsible for directing the business, operations and affairs required by the Fund, including the management of the Fund's investment portfolio. The Manager is registered with the applicable securities regulatory authorities as an exempt market dealer, investment fund manager and portfolio manager. Taylor Asset Management Inc. was formed in December 2011 by its founder, David F. Taylor. The Manager is located at Bay Adelaide Centre, 333 Bay Street, Suite 1230, Toronto, Ontario M5H 2R2.

Pursuant to the Declaration of Trust, the Manager has authority and exclusive responsibility to manage the business and affairs of the Fund and has authority to bind the Fund. The Manager will be responsible for managing the assets of the Fund, will have complete discretion to invest and reinvest the Fund's assets, and will be responsible for executing all portfolio transactions. The Manager may delegate its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager may employ or engage, and rely and act on information or advice received from, auditors, distributors, brokers, depositories, custodians, electronic data processors, advisers, lawyers and others and shall not be responsible or liable for the acts or omissions of such person or for any other matter, including any loss or depreciation in value of the property of the Fund. The Manager is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The Manager shall not be required to devote its efforts exclusively to or for the benefit of the Fund and may engage in other business interests and may engage in other activities similar or in addition to those relating to the activities to be performed for the Fund. Among its other powers, the Manager may establish the Fund's operating expense budgets and authorize the payment of operating expenses.

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

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

Officers, Directors and Key Portfolio Management Personnel of the Manager

The name and municipality of residence of the directors, officers and key portfolio management personnel of the Manager, and the office held by them (being their principal occupation), are as follows:

Name and Municipality of residence	Position with the Manager
David Taylor Toronto, Ontario	Director, President, Chief Investment Officer and Portfolio Manager
Caroline Levitt Toronto, Ontario	Director, Chief Financial Officer and Chief Operating Officer and Chief Compliance Officer
Lisa McCorquodale Burlington, Ontario	Director, Vice President, Sales and Marketing
Michael Willemse Mississauga, Ontario	Senior Research Analyst

The following is a brief description of the background of each officer, director and key portfolio management personnel of the Manager:

David Taylor

David Taylor is the company's President, Chief Investment Officer and Portfolio Manager and is recognized as one of Canada's premier equity managers. Prior to founding Taylor Asset Management, David led the Value Team at Goodman & Company, Investment Counsel and was lead portfolio manager for all of Dynamic's Canadian Value Funds from late-2002 until 2011. Before joining Goodman & Company, David was vice president of equities and portfolio manager at Altamira Funds, managing the firm's entire line-up of Canadian value investment products. From 1991 to 1995, he managed Canadian equities for the Ontario Teachers' Pension Board. His value roots date back to his days at Confederation Life Insurance Company, where he began his career as an equity analyst in 1988. David has a Master of Business Administration from York University and is a CFA charterholder.

Caroline Levitt

Caroline Levitt is the company's Chief Financial Officer and Chief Operating Officer. Caroline has more than 20 years of financial, operational, compliance and risk management experience. Prior to Taylor Asset Management, Caroline was Chief Compliance Officer at Acuity Investment Management. Before joining Acuity, Caroline was Director, Finance at Synergy Asset Management. She has also served as the Manager of Financial Reporting at Systemhouse Group of Companies. Caroline began her professional career providing audit and consulting services in the financial services group at Ernst & Young LLP. Caroline is a Chartered Accountant and has a Bachelor of Business Management from Ryerson University and a Bachelor of Science (Mathematics) from the University of Western Ontario.

Lisa McCorquodale

Lisa McCorquodale is the company's Vice President, Sales and Marketing. She has 22 years of product management, marketing and sales support experience in the financial services industry. Previously, Lisa was Vice President, Product Management at Dynamic Funds where she led the product management team and was responsible for the marketing, positioning and sales of the firm's Canadian and global value fund line up. Prior to Dynamic, Lisa was Senior Manager, Distribution Marketing at Fidelity Investments Canada. From 1996 until 2002, Lisa held progressively senior roles in Product Management at Bank of Montreal's BMO Mutual Funds group. She began her career in 1993 as a financial analyst with Bank of Montreal Asset Management Services. Lisa has a Master of Business Administration from York University.

Michael Willemse

Michael Willemse works alongside David Taylor as Senior Research Analyst. He has 15 years of experience in the finance industry and has been recognized as a top ranked equity analyst for industrial products, auto components and alternative energy. Prior to joining Taylor Asset Management, Michael was the lead industrials analyst at CIBC World Markets from 2006 until 2012. During his tenure as lead analyst, he was the recipient of several awards, including Starmine Awards in 2010 and 2009 for top stock picking in 2009 and 2008 - key years for stock selection given the markets' extreme volatility. From 2004 until 2006, Michael was a research associate for the industrials sector. As a "sell-side" analyst, he covered diversified industrials, with a particular emphasis on steel, automotive, aerospace and alternative energy. Michael started his career as an analyst in corporate finance at Stone Asset Management in Toronto. Michael has a Bachelor of Arts (Honours) in economics from the University of Western Ontario and is a CFA charterholder.

The Trustee

Taylor Asset Management Inc. acts as the trustee of the Fund pursuant to the Declaration of Trust. The trustee has those powers and responsibilities in respect of the Fund as described in 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 Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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

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

Conflicts of Interest

The services of the Manager to the Fund are not exclusive. The Manager and its officers and directors currently engage (and may in the future engage) in the promotion and management of one or more investment portfolios for other trusts, investment funds and managed accounts in addition to the Fund. In such event, the Manager and its principals may be subject to conflicting demands in respect of allocating portfolio management responsibilities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. The Manager and its principals will endeavour to treat each investment pool and managed account fairly and not to favour one account or pool over another. On occasion, however, the Manager may make the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Manager is registered as an exempt market dealer and portfolio manager in Ontario and Quebec, and as an investment fund manager in Ontario. As a result, there are potential conflicts of interest that could arise in connection with the Manager acting in those capacities. The Manager has adopted a Code of Ethics to address and minimize those potential conflicts of interest. The policy states that the Manager will deal fairly, honestly and in good faith with all clients and not advantage one client over another.

UNITS OF THE FUND

An investment in the Fund is represented by Units, each of which represents an undivided interest in the net assets of the Fund. The Fund is authorized to issue an unlimited number of Units in one or more classes of Units. The Fund currently issues Class A Units, Class F Units, Class E Units and Class I Units. Additional classes may be offered in the future on different terms, including having different fee and dealer compensation terms and different minimum subscription levels.

Each Unit is entitled to one vote at meetings of Unitholders and to participate in distributions made by the Fund and, on liquidation, the net assets. Each class of Units ranks equally with all other classes of Units in the payment of distributions. A class of Units will generally be entitled to the portion of a distribution equal to that class' proportionate share of the net income of the Fund, less expenses of the Fund attributable to that class (including Performance Fees). As a result, the amount of distributions per Class A Unit will likely be different than the amount of distributions per Class F Unit and Class E Unit.

All Units are fully paid and non-assessable when issued upon receipt of the full consideration for which they are to be issued and are not subject to further call or assessment and no pre-emptive rights attach to them. Units are not transferable on the register of the Fund. The Trustee may at any time subdivide or consolidate any Class of Units.

The rights of Unitholders are contained in the Declaration of Trust. The provisions or rights attaching to the Units and the other terms of the Declaration of Trust applicable to the Fund may be modified, amended or varied but only for the purposes and in the manner described in the Declaration of Trust. Unitholders can terminate their investment in the Fund by redeeming each Unit at its Net Asset Value per Unit, subject to the Manager's right to suspend the right of redemption.

Fractions of Units may be issued. Fractional Units carry the rights and privileges and are subject to the restrictions and conditions applicable to whole Units in the proportions which they bear to one Unit, provided that any holder entitled to a fractional Unit is not entitled to vote in respect of the fractional Unit. See "Redemption of Units".

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

INVESTING IN THE FUND

Class A Units, Class F Units, Class E Units and Class I Units are offered on a continuous basis to investors resident in each of the provinces and territories of Canada pursuant to exemptions from the prospectus requirements of applicable securities legislation. Each class of Units is intended for different kinds of investors. Class A Units are available to all investors. Class F Units have generally the same attributes as Class A Units but they are usually only available to investors who participate in an eligible fee-based or wrap program with their dealer and who are subject to a periodic asset-based fee rather than commissions on each transaction. Class E Units have generally the same attributes as Class F but have a minimum initial investment specified by the Manager (which is currently \$1,000,000). The Manager reserves the right to change the minimum initial investment in Class E at any time, from time to time and on a case-by-case basis, subject to regulatory requirements.

The Manager is able to reduce its management fee rate on Class F Units and Class E Units because the Manager's costs are lower and because investors who purchase Class F Units and Class E Units will usually have entered into a separate agreement to pay fees to their dealer for their individual investment program.

Class I Units will be issued to institutional investors and such other persons at the discretion of the Manager. If a Unitholder ceases to be eligible to hold Class I Units, the Manager may, in its sole discretion, redesignate such Unitholder's Class I Units as Class A Units on five days' notice, unless such Unitholder notifies the Fund during

the notice period and the Manager agrees that the Unitholder is once again eligible to hold Class I Units.

Orders for subscriptions can be placed at any time through dealers qualified in the province or territory of purchase. However, Units are issued only on a Valuation Date. All orders for subscriptions which are received and accepted by the Manager prior to 4:00 p.m. (Toronto time) on a Valuation Date will be implemented at the Class Net Asset Value per Unit as of that Valuation Date. Orders for subscriptions received and accepted after 4:00 p.m. (Toronto time) on a Valuation Date will be implemented at the Class Net Asset Value per Unit as of the next Valuation Date. See "Portfolio Valuation and Net Asset Value". The Manager reserves the right to accept or reject orders for subscriptions, to change the minimum amounts for investments in the Fund and to discontinue the offering of any class of Units at any time and from time to time. Any monies received with a rejected order for subscriptions will be refunded immediately, without interest.

This offering of Units is not subject to any minimum subscription level and therefore any funds received from an investor are available to the Fund and need not be refunded to the investor. Units may be redeemed upon written request based on the Class Net Asset Value per Unit. See "Redemption of Units".

Investors

Any investor acceptable to the Manager may subscribe for and purchase Units. Investors must purchase as principal (or be deemed under applicable securities legislation to be purchasing as principal), both in respect of initial investments and additional investments. There is no minimum or maximum number of Units offered or minimum or maximum proceeds from the sale of Units.

Purchase of Units

Investors who wish to subscribe for Units must complete, execute and deliver the subscription agreement which accompanies this Offering Memorandum to a dealer, together with a cheque or bank draft in an amount equal to the purchase price (together, if applicable, with the amount of any commission payable by the investor to the dealer). Subscriptions may be accepted at the discretion of the Manager on any Valuation Date. Dealers will send orders to the Manager at its principal office on the day such orders are placed by courier, priority post or telecommunications facilities without charge to the investor. Class A Units may only be purchased using the Front-End Sales Charge Option. See "Purchases under the Front-End Sales Charge Option".

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

Purchase Price

The purchase price of a Unit is an amount equal to the Class Net Asset Value per Unit. The Class Net Asset Value per Unit for subscription orders which are received and accepted by the Manager prior to 4:00 p.m. (Toronto time) on a Valuation Date will be calculated as of that Valuation Date. The Class Net Asset Value per Unit for subscription orders received and accepted after 4:00 p.m. (Toronto time) on a Valuation Date will be calculated on the next Valuation Date. See "Portfolio Valuation and Net Asset Value".

Initial Minimum Investment

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

The net amount (after deduction of any commissions) of each initial investment by an investor must be:

- (a) if the investor qualifies as an Accredited Investor under the Accredited Investor Exemption as defined in NI 45-106, not less than the amount specified by the Manager (which is currently \$25,000); or
- (b) if the investor is not an individual and qualifies under the Minimum Amount Exemption as defined in NI 45-106, not less than \$150,000.

The Manager reserves the right to change the minimum amounts for initial investments in the Fund at any time, from time to time and on a case-by-case basis, subject to regulatory requirements.

Additional Investments

Each additional investment by an investor must be not less than the amount specified by the Manager (which is currently \$5,000).

For Accredited Investors, as defined in NI 45-106, in addition to the requirement that each additional investment be for an amount not less than \$5,000, the Manager requires that immediately following the additional investment the Accredited Investor will hold Units of the Fund with an aggregate acquisition cost of not less than the amount specified by the Manager (which currently is \$25,000).

For investors who qualify under the Minimum Amount Exemption as defined in NI 45-106, in addition to the requirement that each additional investment be for an amount not less than \$5,000, the investor must have previously purchased and continue to hold Units with an aggregate acquisition cost or current value of not less than \$150,000. Otherwise, the additional investment will be subject to the requirements described above for initial investments.

At the time of making each additional investment in Units, each investor will be deemed to have repeated to the Fund certain representations contained in the subscription agreement delivered by the investor to the Fund at the time of the initial purchase. The Manager reserves the right to change the minimum amounts for additional investments in the Fund at any time, from time to time, and on a case-by-case basis, subject to regulatory requirements.

Accredited Investors

An investor resident in any province or territory in Canada will qualify as an accredited investor if he or she satisfies certain criteria as defined in NI 45-106 and, in Ontario, the *Securities Act* (Ontario). Each investor should refer to the more detailed representations, warranties and certifications contained in the subscription agreement which accompanies this Offering Memorandum to determine whether he or she qualifies as an accredited investor.

Purchases Under the Front-End Sales Charge Option

The Front-End Sales Charge for purchasing Class A Units is negotiated between investors and their dealers. Investors pay this charge directly to their dealer. The Front-End Sales Charge of up to 5% will be deducted as a percentage of the amount subscribed. For initial investments, the net amount (after deduction of the Front-End Sales Charge) must be not less than the minimum amount specified above under “Initial Minimum Investment”. No Front-End Sales Charge is payable for purchasing Class F Units, Class E Units or Class I Units.

No deferred sales charge option is available.

Early Redemption Fee

If a Unitholder redeems his or her Units of any class within 180 days after the date of purchase, the Manager may, in its sole discretion, charge an early redemption fee of up to 2% of the value of the Units tendered for redemption. This early redemption fee is retained by the Fund.

Eligibility for Investment

Provided the Fund qualifies at all relevant times as a “mutual fund trust” for the purposes of the Tax Act, Units will

be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

Notwithstanding the foregoing, the holder of a tax-free savings account, or the annuitant under a registered retirement savings plan or registered retirement income fund, will be subject to a penalty tax in respect of Units held by such tax-free savings account, registered retirement savings plan or registered retirement income fund, as the case may be, if such Units are a “prohibited investment” for such plan trusts for the purposes of the Tax Act. The Units will not be a “prohibited investment” for trusts governed by such plan trusts unless the holder of the tax-free savings account or the annuitant under the registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Tax Act, or (ii) has a “significant interest” as defined in the Tax Act in the Fund. Generally, a holder or annuitant, as the case may be, will not have a “significant interest” in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm’s length.

Unitholders or annuitants should consult their own tax advisors with respect to whether Units would be prohibited investments.

FEES AND EXPENSES

Management Fee

As compensation for providing its services to the Fund, the Manager receives a Management Fee calculated as an annual percentage of the applicable Class Net Asset Value. The annual management fee is 2.00% in respect of Class A Units, 1.00% in respect of Class F Units and 0.70% in respect of Class E Units. The management fee is calculated and accrued on each Valuation Date, plus any applicable HST, and is payable monthly in arrears.

Any Management Fee payable in respect of Class I Units of the Fund shall be in an amount determined by negotiation between the Manager and each investor in Class I Units.

The Manager is responsible for the fees of its advisors, its own expenses and promotional fees.

Performance Fee

In addition to the Management Fee, the Fund pays the Manager an annual Performance Fee equal to (a) 10% of the amount by which the Class Net Asset Value per Unit on the last Valuation Date of a calendar year (before giving effect to any distributions by the Fund since the High Water Mark and adjusted to exclude the accrual of the Performance Fee during the calendar year) exceeds 105% of the High Water Mark (or the *pro rata* portion of a 5% hurdle rate in the event that the calculation period is less than a full year), multiplied by (b) the average number of Units of that class outstanding during such calendar year on a time-weighted basis. The Performance Fee, plus applicable taxes, shall be calculated and accrued on each Valuation Date during the calendar year, such that the Class Net Asset Value per Unit reflects such accrual and, if earned, shall be payable annually, in arrears on the first Business Day following the fiscal year end of the Fund (the “**Performance Valuation Date**”), except in the case of Interim Performance Fees (as defined below).

The Fund’s “**High Water Mark**” is:

- (a) the Initial High Water Mark of \$10.00 per unit; or
- (b) in respect of any calendar year subsequent to a year for which Performance Fees were paid on or after the last Valuation Date of the calendar year, the greater of:

- (i) the Class Net Asset Value per Unit on the last Valuation Date of the most recent calendar year for which Performance Fees were paid after giving effect to all distributions in, and payments of Performance Fees for, such calendar year applicable to that class, and
- (ii) the Class Net Asset Value per Unit on the last Valuation Date of any calendar year subsequent to the most recent calendar year for which Performance Fees applicable to such class were paid before giving effect to all distributions since such calendar year;

provided that if the High Water Mark is the Class Net Asset Value per Unit in (ii) above then, for purposes of calculating the Performance Fee, the High Water Mark for that calendar year will be the Class Net Asset Value per Unit on the last Valuation Date after giving effect to all distributions.

Notwithstanding the foregoing, if any Units are redeemed in a calendar year, the amount of any accrued Performance Fee in respect of such redeemed Units (the “**Interim Performance Fee**”) may be paid to the Manager immediately following such redemption in the manner described above as if the date on which the Units are redeemed is a Performance Valuation Date in respect of such Units.

Administration Fees and Expenses

The Fund pays all of the fees and expenses relating to its operation, including legal and audit fees and expenses, taxes, brokerage commissions, borrowing fees and the costs and expenses relating to prime brokerage services, FundSERV access cost, interest, operating and administrative costs and expenses (other than dealer compensation programs and any advertising, marketing, sponsorship and promotional costs and expenses which are the responsibility of the Manager), regulatory expenses, custody and safekeeping charges, expenses relating to the issue and redemption of Units, providing financial and other reports to Unitholders, convening and conducting meetings of Unitholders, the qualification for sale of Units and complying with all applicable laws, regulations and policies. The Fund is generally required to pay HST on the Management Fee and most administration fees and expenses which it pays.

The Manager may from time to time, and in its sole discretion, pay all or a portion of certain operating expenses payable by the Fund.

DEALER COMPENSATION

Sales Commissions

Where purchases of Class A Units are made under the Front-End Sales Charge Option, a sales commission of up to 5% will be deducted from the subscription order and paid by the investor to the dealer at the time of purchase. The remaining amount is invested in the Fund. Sales commissions may be negotiated between an investor and his or her dealer.

Servicing Fee

A servicing fee is a portion of the Manager's Management Fee shared with dealers. The servicing fee pays for ongoing advice and service which investors receive from dealers so long as the investor holds Class A Units.

The Manager intends to pay a servicing fee to dealers equal to 1% per annum of the Class Net Asset Value of the Units held in client accounts of such dealers. Payments are calculated and accrued on each Valuation Date and paid quarterly in arrears, plus applicable taxes. The Manager may vary the terms, conditions and/or frequency of the service fee program from time to time in its sole discretion.

DISTRIBUTIONS

It is the Fund's policy to distribute annually to investors sufficient net income and net realized capital gains so that the Fund will not pay any Canadian federal income tax under Part I of the Tax Act, other than alternative minimum tax. Distributions will be paid or payable by December 31 of each year. All distributions will be made to Unitholders of record as determined on the immediately preceding Valuation Day.

The Manager retains the discretion to make other distributions from time to time in the calendar year.

Subject to applicable securities legislation, all distributions made by the Fund (net of any deductions or withholdings required by law) will be automatically reinvested in additional Units of the Fund or fractions of Units of the Fund at the Class Net Asset Value per Unit. Potential investors should keep this policy in mind when determining whether or not an investment in the Fund is suitable for their particular circumstances. The Manager reserves the right to change such policy, and may elect to have distributions paid in cash. Distributions paid in cash will be paid three Business Days after they have been declared.

The Manager may make such designations, determinations and allocations for tax purposes of amounts or portions of amounts which a Fund has received, paid, declared payable or allocated to a Unitholder as distributions or redemption proceeds.

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

PORTFOLIO VALUATION AND NET ASSET VALUE

The Manager will calculate, or will arrange for the calculation of the Net Asset Value of the Fund at 4:00 p.m. (Eastern Time) on each Valuation Date in accordance with the terms of the Declaration of Trust, on December 31 of each year and at such other times as the Manager deems appropriate. The Net Asset Value of the Fund is the value of all assets of the Fund minus all of its liabilities as at such time. The Fund will also be valued, for reporting purposes only, on the last Valuation Date of the month.

The Manager will also calculate, as at each Valuation Date, the Class Net Asset Value and the Class Net Asset Value per Unit. Class Net Asset Value on a Valuation Date is determined in accordance with the Declaration of Trust and, in general, is based on the market value of the proportionate share of assets attributable to each Class less applicable common and class-specific expenses divided by the number of outstanding Units of the relevant Class. Class Net Asset Value per Unit is calculated by dividing the Class Net Asset Value by the number of Units of the class outstanding. The Class Net Asset Value per Unit will be reported in Canadian currency.

The material provisions of the basis for calculating the number of Units, the fair market value of the assets and the amount of the liabilities of the Fund are as follows:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines an otherwise fair value;
- (b) the value of any security which is listed on a stock exchange or on an over the counter market will be the closing sale price or, if there is no closing sale price, the last trade price, all as reported by any report in common use or authorized as official by such stock exchange or over the counter market;
- (c) the securities and other assets for which market quotations are not readily available or for which no sales took place will be valued at their fair value, as determined by the Manager in its sole discretion;

- (d) the value of securities which are quoted in foreign currencies shall be converted to Canadian dollars based on the customary sources of information for currency conversion rates used from time to time by or on behalf of the Fund;
- (e) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at their fair value, as determined by the Manager in its sole discretion;
- (f) the value of a futures contract or a forward contract shall be the gain or loss with respect thereto that would be realized if, at the Valuation Date, the position in the futures contract or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (g) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (h) each transaction of purchase or sale of portfolio securities effected by the Fund will be reflected in the computation of the net asset value of that Fund not later than the first computation of such net asset value made after the date on which such transaction becomes binding;
- (i) the value of any restricted securities (as defined in NI 81-102) shall be the lesser of (i) the value based on reported quotations of that restricted security in common use, and (ii) that percentage of the market value of the securities of the class or class of a class of which the restricted security forms part that are not restricted securities, equal to the percentage that the Fund's acquisition cost was of the market value of the securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the restricted securities will cease to be restricted securities; and
- (j) other assets of the Fund shall be valued in such manner as the Manager considers proper in its sole discretion.

For the purpose of determining Class Net Asset Value per Unit at any time:

- (a) a Unit of the Fund being issued shall be deemed to become outstanding as of the next calculation of Class Net Asset Value following the time at which the Class Net Asset Value per Unit is determined and the issue price received or receivable for the issuance of the Unit shall then be deemed to be an asset of the Fund; and
- (b) a Unit of the Fund being redeemed shall be deemed to remain outstanding until (but not after) the next calculation of Class Net Asset Value following the receipt of a redemption request and thereafter, until paid, the redemption price shall be deemed to be a liability of the Fund.

In calculating the Class Net Asset Value per Unit:

- (a) the issue of Units shall be reflected in the computation of the Net Asset Value of the Fund no later than the next Valuation Date after the time as at which the Net Asset Value per Unit is determined for the purpose of the issue of the Units; and
- (b) each portfolio transaction will be reflected in the computation of Net Asset Value per Unit no later than the Valuation Date after the date on which the transaction becomes binding.

The Manager may declare a suspension of the determination of Net Asset Value, Class Net Asset Value and the Class Net Asset Value per Unit for the whole or part of any period in which the right of redemption has been suspended.

See "Redemption of Units".

REDEMPTION OF UNITS

Units may be surrendered to the Manager for redemption on any Valuation Date. A Unitholder may have his, her or its Units redeemed as of a Valuation Date at the Class Net Asset Value per Unit provided the Manager has received a notice of redemption in respect of such Units prior to 4:00 p.m. (Eastern time) on such Valuation Date, otherwise such Units will be redeemed on the next Valuation Date. Requests for redemption made to the Manager must be made in writing with the signature guaranteed by a dealer, Canadian chartered bank, trust company, a member of a recognized stock exchange in Canada or otherwise guaranteed to the satisfaction of the Manager. Such redemption notice shall be irrevocable (except as otherwise provided in the Declaration of Trust) and shall contain a clear request by the Unitholder that a specified number of Units be redeemed or stipulate the dollar amount which the Unitholder requires to be paid. If Units are registered in the name of an intermediary such as a dealer, clearing agency or its nominee, redemption orders must be made through such intermediary. Requests for redemption will be accepted in the order in which they are received.

The Manager shall pay to each Unitholder who has delivered a redemption notice or whose Units are required to be redeemed, an amount equal to the Class Net Asset Value per Unit on the applicable Valuation Date, multiplied by the number of Units to be redeemed and, concurrently, may pay to such Unitholder the proportionate share attributable to such Units of any distribution of net income and net realized capital gains of the Fund which has been declared and not paid prior to the applicable Valuation Date. If a Unitholder redeems his or her Units of any Class within 180 days after acquisition, the Manager may, in its sole discretion, charge an early redemption fee of up to 2% of the value of the Units tendered for redemption. This early redemption fee is retained by the Fund.

Payment for the Units which are redeemed will be made by a Fund within 3 Business Days of the relevant Valuation Date by cheque or by direct deposit to the Unitholder's bank account, provided that payment may also be made by the Manager, in its discretion, in-kind. Payment may be made by the Manager to a Unitholder's Dealer if the Manager is so directed.

Upon any redemption of Units, the Manager may, on behalf of the Fund, deduct from the redemption proceeds an amount equal to any estimated brokerage costs incurred in the conversion of portfolio securities of the Fund to cash in order to effect the redemption. An appropriate portion of any accrued Management Fee and/or Performance Fee payable to the Manager may also be deducted by the Manager.

Payment for Units which are redeemed will be made by the Fund by cheque or, if the Unitholder provides the necessary information, electronically to the Unitholder's bank account, unless other acceptable arrangements are made. The Manager may, subject to applicable securities legislation, pay for all or any of such redeemed Units by making good delivery to such Unitholder of a Fund investment or Fund investments provided that such Fund investment or Fund investments are valued for purposes of determining the redemption amount at an amount equal to the amount at which such Fund investment or Fund investments were valued for the purpose of determining the Net Asset Value of the Fund on the Valuation Date.

Unless redemptions have been suspended (which may only occur in circumstances set out below), or the Unitholder has not yet paid for the Units of the Fund, payment of the redemption amount for Units tendered for redemption will be made by the Manager within three Business Days of the determination of the Net Asset Value per Unit on the Valuation Date of the Units redeemed.

Suspension of Redemptions

The Fund may suspend the redemption of Units for any period (i) when normal trading is suspended on any stock, options or other exchange or market, within or outside of Canada on which securities are listed and traded, or on which derivatives are traded, which represent more than 50% by value or underlying market exposure of the total

assets of the Fund, without allowance for liabilities; (ii) with the prior permission of the securities regulatory authorities (if required), for a period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of the assets of the Fund necessary to satisfy redemptions or impair the ability to determine Class Net Asset Value per Unit; and (iii) at such other times as the Manager deems appropriate provided that such suspension is permitted under applicable securities laws. Any redemption request of a Unitholder, which has been deferred because of a suspension of redemptions of the Fund, will be completed on the first Valuation Date following the termination of the suspension unless earlier withdrawn by the Unitholder.

The right of Unitholders to redeem their Units of the Fund is set forth in the Declaration of Trust.

RISK FACTORS

An investment in the Fund involves significant risks. Investors should consider the following risk factors before investing.

General Risk

An investment in the Fund may be considered to be speculative. It is not intended as a complete investment program and is designed only for investors who can afford the loss of their investment. The Fund is not subject to the normal mutual fund regulations and disclosure requirements for publicly offered mutual funds which limit such mutual funds' ability to short sell securities, use leverage, concentrate investments and use derivatives.

Business Risks

While the Manager believes that the Fund's investment policies will be successful over the long term, there can be no guarantee against losses resulting from an investment in Units and there can be no assurance that the Fund's investment approach will be successful or that its investment objective will be attained. No assurance can be given that the Fund's investment portfolio will generate any income or will appreciate in value. The Fund could realize substantial losses, rather than gains, from some or all of the investments described herein. A trust, such as the Fund, cannot flow through losses to investors.

Net Asset Value

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

Potential Lack of Diversification

Although the Fund's portfolio will generally be diversified, this may not be the case at all times if the Manager deems it advantageous for the Fund to be less diversified. Accordingly, the investment portfolio of the Fund may be more susceptible to fluctuations in value resulting from adverse economic conditions affecting a particular country, industry or issuer than would be the case if the Fund were required to maintain a wide diversification.

Short Sale Equity Positions

The Fund may take short sale positions without maintaining an equivalent quantity, or a right to acquire an equivalent quantity, of the underlying securities in its portfolio. While the Manager will engage in these transactions only in circumstances where it has been concluded that a particular security is overvalued in its principal markets, there can be no assurance that the security will experience declines in market value and this could result in the Fund incurring losses if it has agreed to deliver securities at a price which is lower than the market price at which such securities may be acquired at the time the transaction is to be completed. The Manager may selectively engage in transactions which limit the potential liability of the Fund for unanticipated shifts in the market value of these securities, and will limit the short sale equity position to 20% (at the time of investment) of the Net Asset Value of the Fund (less the amount of any other leverage of the Fund at the time of investment).

Use of Leverage

The Fund intends to employ leverage (i.e., the use of borrowed funds or securities) as an inherent tool in its investment strategy. While the use of leverage can increase the rate of return, it can also increase the magnitude of loss in unprofitable positions beyond the loss which would have occurred if there had been no borrowings. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost in the event of a decline in the market value of such securities. Leveraging will thus tend to magnify the losses or gains from investment activities. The Manager will limit the use of leverage (including by way of engaging in short selling) to 20% in the aggregate (at the time of investment) of the Net Asset Value of the Fund.

The Fund's anticipated use of short-term margin borrowings subjects the Fund to additional risks, including the possibility of a "margin call" pursuant to which the Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in the value of the Fund's assets, the Fund may not be able to liquidate assets quickly enough to pay off its margin debt.

Use of Options

Subject to the restrictions on the use of options described under "Investment Strategies and Portfolio Construction" and "Investment Restrictions", the Fund may purchase and write exchange-traded and over-the-counter put and call options on debt and equity securities, commodities, currencies and indices (both narrow-based and broad-based). A put option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to deliver a specified amount of the securities or currencies to the writer of the option on or before a fixed date at a predetermined price. A put option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index drops below a predetermined level on or before a fixed date. A call option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to call upon the writer to deliver a specified amount of the securities or currencies on or before a fixed date at a predetermined price. A call option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index rises above a predetermined level on or before a fixed date.

The Fund's ability to close out its position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market. Over-the-counter ("**OTC**") options are purchased from or sold to securities dealers, financial institutions or other parties (the "**Counterparty**") through direct bilateral agreements with the Counterparty. In contrast to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantees and security, are set by the negotiation of the parties. Unless the parties provide for it, there is no central clearing or guarantee function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with the Fund or fails to make a cash settlement payment due in accordance with the terms of that option, the Fund will lose any premium it paid for the option as well as any anticipated benefit of the transaction.

Call options may be purchased for speculative purposes or to provide exposure to increases in the market (e.g., with respect to temporary cash positions) or to hedge against an increase in the price of securities or other investments that the Fund intends to purchase. Similarly, put options may be purchased for speculative purposes or to hedge against a decrease in the market generally or in the price of securities or other investments held by the Fund. Buying options may reduce the Fund's returns, but by no more than the amount of the premiums paid for the options. Writing covered call options. (i.e., where the Fund owns the security or other investment that is subject to the call) may limit the Fund's gain on portfolio investments if the option is exercised because the Fund will have to sell the underlying investments below the current market price. Also, writing put options may require the Fund to buy the underlying investment at a disadvantageous price above the current market price. Writing uncovered call options (i.e., where the Fund does not own the security or other investment that is subject to the call) entails the risk

that the price of the underlying investment at the time the option is exercised theoretically could have risen without limit. The risk of loss of uncovered put options written by the Fund is limited in the exercise price of the option less the premium received.

Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary market risks.

Hedging

Various hedging techniques may be used in an attempt to reduce certain risks, including but not limited to currency risks associated with investments denominated in foreign currencies. Although a hedge is intended to reduce risk, it does not eliminate risk entirely. A hedging strategy may not be effective. For example, hedging in options may reduce the risks of both short-selling and taking long positions in certain transactions. Recalculations and adjustments to specific position hedges will be performed as market conditions warrant. However, such position hedges entail risks of their own. Unanticipated changes in currency exchange rates may result in an overall poorer performance than if currency risks had not been hedged. If market conditions are analyzed incorrectly or a risk reduction strategy is employed that does not correlate well with the Fund's investments, risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. Furthermore, a hedge can result in a loss in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) a cease trade order being issued in respect of the underlying security; (ii) the inability to maintain a short position due to the repurchase or redemption of shares by the issuing company; (iii) disappearance of any conversion premium due to premature redemptions, changes in conversion terms or changes in an issuer's dividend policy; (iv) credit quality considerations, such as bond defaults; and (v) lack of liquidity during market panics.

Portfolio Turnover

The operation of the Fund may result in a high annual portfolio turnover rate. The Fund has not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (e.g., greater transaction costs such as brokerage fees) and may involve different tax consequences.

Counterparty Risk

Due to the nature of some of the investments that the Fund may undertake, the Fund relies on the ability of the counterparty to the transaction to perform its obligations. In the event that a counterparty fails to complete its obligations, the Fund bears the risk of loss of the amount expected to be received under options, forward contracts or securities lending agreements in the event of the default or bankruptcy of a counterparty.

Interest Rate Fluctuations

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

Liquidity Risk

Certain investments made by the Fund might be very illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Manager's assessment of their value or the amount paid for such investments by the Fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Fund and other factors. It is possible that the Fund may not be able to sell or repurchase significant portions of its positions in illiquid investments without facing substantially adverse prices. If the Fund is required to sell securities before its intended investment horizon, for example as a result of redemptions, the performance of the Fund could suffer.

Foreign Currency Exposure

Some of the investments of the Fund, at any time, may consist of securities denominated in currencies other than the Canadian dollar and, accordingly, the net asset value of the Fund will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar.

To manage the risk related to foreign currency fluctuations, the Fund may purchase or sell currency forward contracts or currency futures. The use of currency forward contracts poses a risk that the other party may not be able to meet its obligations under the contract. There is also a risk that the use of such contracts may not be effective.

International Investment

The Fund may invest in securities of foreign issuers either directly or through the use of equity-related or derivative instruments and investments denominated or traded in currencies other than Canadian dollars. These investments involve certain considerations not typically associated with investments in Canadian issuers or securities denominated or traded in Canadian dollars. These considerations include (a) the potential effect of foreign exchange controls (including suspension of the ability to transfer currency from a given country or to realize on Fund investments) and changes in the rate of exchange between the Canadian dollar (the currency in which the Fund calculates its Net Asset Value and distributions) and other currencies in which the Fund's investments are denominated, which changes will affect the Canadian dollar value of the Fund; (b) the application of foreign tax law, changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations; (c) the effect of local market conditions on the availability of public information, the liquidity of securities traded on local exchanges and transaction costs and administrative practices of local markets; (d) the fact that the Fund's assets may be held in accounts by custodians, or pledged to creditors of the Fund, in jurisdictions outside of Canada so that there can be no assurance that judgments obtained in Canadian courts will be enforceable in any of those jurisdictions; and (e) in some countries, political or social instability or diplomatic developments could adversely affect, or result in the complete loss of, such investments. The possibility of expropriation, confiscatory taxation or nationalization of foreign bank deposits or other assets, lack of comprehensive tax, legal and regulatory systems, which may result in the Fund being unable to enforce its legal rights or protect its investments and the imposition of foreign governmental laws or restrictions could affect investments in securities of issuers in those nations. Restrictions and controls on investment in the securities markets of some countries may have an adverse effect on the availability and costs to the Fund of investments in those countries. Costs may be incurred in connection with the conversions between various currencies. In addition, the income and gains of the Fund may be subject to withholding taxes imposed by foreign governments for which investors may not receive a full foreign tax credit.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes to laws or administrative practice could occur during the term of the Fund which may adversely affect the Fund. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by the Fund and the ability of the Fund to pursue its investment strategies. Interpretation of the law or administrative practice may affect the characterization of the Fund's earnings as capital gains or income which may increase the level of tax borne by investors as a result of increased taxable distributions from the Fund.

Use of a Prime Broker to Hold Assets

Some or all of the Fund's assets may be held in one or more margin accounts due to the fact that the Fund will use leverage and engage in short selling. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the Fund's assets in such accounts, which may result in a potential loss of such assets. As a result, the Fund's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets at the prime broker to satisfy the claims of its creditors, and adverse market movements while

its positions cannot be traded. In addition, the prime broker is unlikely to be able to provide leverage to the Fund, which would affect adversely the Fund's returns.

Multiple Classes of Units

Units are available in more than one Class. If the Fund cannot pay the expenses of one Class of Units using its proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other Class' proportionate share of the Fund's assets. This may lower the investment returns of the other Class of Units.

Unitholder Liability

The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the investment obligations, affairs or assets of the Fund and all such persons shall look solely to the Fund's assets for satisfaction of claims of any nature arising out of or in connection therewith and the Fund's assets only shall be subject to levy or execution. Notwithstanding the foregoing statement in the Declaration of Trust, because of uncertainties in the law relating to trusts such as the Fund, there is a risk that a Unitholder could be held personally liable for obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. Certain jurisdictions have enacted legislation to protect Unitholders from the possibility of such liability.

LIMITATION ON NON-RESIDENT OWNERSHIP

At no time may non-residents of Canada (at all times in this paragraph for purposes of the Tax Act) be the beneficial owners of Units representing more than 50% of the value of the Fund. The Manager may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Manager becomes aware, that the beneficial owners of Units then outstanding representing more than 40% of the value of the Fund are, or may be, non-residents of Canada or that such a situation is imminent, the Manager may make a public announcement thereof and shall not accept a subscription for Units from, or accept a transfer of Units to, a person unless the person provides a declaration that the person is not a non-resident of Canada. If the Manager determines that a majority of the Units are beneficially held by non-residents of Canada, the Manager will send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such manner as the Manager may consider equitable and practicable, notifying them that their Units are being redeemed on 10 days' notice.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summarizes the principal Canadian federal income tax considerations as of the date hereof generally applicable to the Fund and an individual Unitholder (other than a trust) who acquires Units under this offering memorandum and who, for the purposes of the Tax Act, is resident in Canada and holds Units of the Fund as capital property. This summary is based on the current provisions of the Tax Act and the regulations made under the Tax Act (the "**Regulations**"), specific proposals to amend the Tax Act and the Regulations that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof and the published administrative practices and assessing policies of the Canada Revenue Agency. This summary does not take into account or anticipate any other changes in law whether by legislative, regulatory, administrative or judicial action. This summary is not exhaustive of all possible federal income tax considerations and does not deal with foreign or provincial or territorial income tax legislation or considerations.

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

to any prospective investor. Prospective investors should consult their own tax advisor for advice with respect to the income tax consequences of an investment in Units, based on the investor's particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act and that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. The Fund intends to make elections so that it will qualify as a mutual fund trust under the Tax Act from the commencement of its first taxation year. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different. These adverse effects include (i) the Fund could become subject to Part XII.2 tax on its “designated income” as defined in the Tax Act, and (ii) the Fund could become subject to alternative minimum tax.

Taxation of the Fund

Generally, the Fund will be liable to taxation under Part I of the Tax Act in each taxation year on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts that are paid or payable to Unitholders in such year (including amounts that are reinvested in additional Units of the Fund). An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder or the Unitholder is entitled in that year to enforce payment of the amount. The Fund intends to distribute a sufficient amount of its net income and net capital gains for each taxation year so that the Fund will not be liable for tax under Part I of the Tax Act, after deducting available loss carryforwards and taking any entitlement to a capital gains refund into consideration.

The Fund shall elect under the Tax Act to have each of its “Canadian securities” treated as capital property. Upon the actual or deemed disposition of a Canadian security or other security held as capital property by the Fund, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such property and any reasonable costs of disposition. The characterization of the gains (or losses) realized by the Fund on the disposition of its other investments will depend largely on factual considerations.

The Fund will be required to include in its income for each taxation year all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

In computing its income under Part I of the Tax Act, the Fund may deduct reasonable administrative, interest and other expenses incurred to earn income in accordance with and to the extent permitted by the provisions of the Tax Act and may deduct over a five year period expenses of the offering of Units.

If the Fund derives income or gains from investments in foreign securities, it may be liable to pay income or profits tax to such countries. Subject to the detailed rules in the Tax Act, the Fund may designate a portion of any foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund on such income that has not been deducted by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholders for purposes of the foreign tax credit provisions of the Tax Act.

Losses incurred by the Fund in a taxation year cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with and to the extent permitted by the provisions of the Tax Act.

Taxation of Unitholders

A Unitholder of the Fund must include in computing his or her income for tax purposes the amount of the net income and the taxable portion of the net realized capital gains paid or payable to him or her in the year by the Fund. A Unitholder must include such distributions in income whether they are paid in cash or they are reinvested in additional Units of the Fund. Provided that the Fund makes the appropriate designations, to the extent permitted under the Tax Act, the amount of any net taxable capital gains, taxable dividends received on shares of taxable Canadian corporations and foreign source income of the Fund that is paid or payable to a Unitholder will effectively retain its character in the hands of the Unitholder for tax purposes. An enhanced dividend tax credit is available for certain eligible dividends from Canadian corporations. When a Unitholder acquires Units of the Fund, the net asset value of the Units may reflect amounts on account of accrued but undistributed income, realized but undistributed capital gains, and accrued but unrealized capital gains. When these amounts are distributed to Unitholders, they must be included in the Unitholder's income even though they accrued to the Fund or were realized by the Fund prior to the time that the Unitholder acquired Units of the Fund.

To the extent that distributions to a Unitholder by the Fund in a year exceed the Unitholder's share of the net income and net realized capital gains of the Fund for the year, those distributions (except to the extent that they are proceeds of disposition) will be a return of capital and will not be taxable to the Unitholder but will reduce the adjusted cost base of the Unitholder's Units in the Fund. Where the adjusted cost base of Units in the Fund is reduced to less than zero the Unitholder will be deemed to have realized a capital gain equal to the negative amounts and the adjusted cost base of the units will be credited to nil.

Upon a disposition of a Unit (including a deemed disposition and a redemption), the Unitholder will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, less any costs of disposition, are greater (or less) than the adjusted cost base to the Unitholder of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property. Generally one-half of a capital gain is included in determining a Unitholder's income. One-half of any capital loss will be an allowable capital loss which may normally be deducted against taxable capital gains realized in that year. To the extent that a Unitholder has any allowable capital losses which cannot be deducted from taxable capital gains realized in the year, the excess constitutes a net capital loss which may generally be deducted in computing taxable income for the three preceding or all future years from taxable capital gains in those years, subject to any limitations in the Tax Act. Under the alternative minimum tax provisions of the Tax Act, capital gains realized, and Canadian dividends received, by an individual may give rise to a liability for minimum tax.

If a Unitholder holds Units of the Fund in a registered plan, the Unitholder will generally not pay any tax on distributions from the Fund or any capital gains that the Unitholder's registered plan receives from selling units of the Fund as long as the money remains in the registered plan. When a Unitholder withdraws money from a registered plan (other than a TFSA or certain withdrawals from a RESP or RDSP), it will generally be subject to tax at the Unitholder's marginal tax rate.

Unitholders should consult with their own tax advisors regarding the deductibility of management fees paid to the Manager.

REPORTING TO UNITHOLDERS

Unitholders will receive annual and semi-annual statements showing the Units held by the Unitholder and any transactions for the preceding period.

The financial year-end of the Fund is December 31. Unitholders will be sent audited annual financial statements within 90 days of the Fund's financial year-end.

Unitholders will receive the applicable tax form(s) identifying the Unitholder's distributions (including dividends from taxable Canadian corporations, interest, taxable capital gains, capital gains dividends, return of capital and foreign source dividend and interest income) and, if applicable, the Unitholder's share of a Fund's foreign taxes paid for such year.

AMENDMENT OF THE DECLARATION OF TRUST AND TERMINATION OF THE FUND

The Trustee may, in its discretion, amend the Declaration of Trust at any time, without notice to Unitholders, provided that no amendment shall be made: (i) to alter the amendment provision; (ii) to amend the Declaration of Trust which would materially and adversely affect the pecuniary interest of any Unitholder; or (iii) for any other matter required to be approved by Unitholders pursuant to applicable securities legislation. The Fund may be terminated on the occurrence of certain events stipulated in the Declaration of Trust. The Manager may resign as manager of the Fund and if no successor is appointed the Fund will be terminated. On termination of the Fund, the Trustee will distribute the assets of the Fund in cash or in kind in accordance with the Declaration of Trust. See also "Management of the Fund – The Manager and The Trustee".

OTHER SERVICE PROVIDERS

Administrator, Valuation Agent, Unitholder Record Keeper

CIBC Mellon Global Securities Services Company, or such other party as the Manager may retain, will act as the Administrator and Valuation Agent of the Fund.

Custodian and Prime Broker

The Trustee has appointed TD Securities Inc. as custodian and prime broker of the assets of the Fund pursuant to a prime brokerage agreement dated as of May 31, 2013. As prime broker, TD Securities Inc. will be responsible for the safekeeping of all of the investments and other assets of the Fund delivered to it, other than those transferred to TD Securities Inc. or another entity as collateral or margin. TD Securities Inc. will also provide the Fund with financing lines and short-selling facilities.

The Trustee reserves the right, in its discretion, to change the prime brokerage arrangements described above including, but not limited to, the appointment of additional prime broker(s).

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, at its office located at 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2 or such other party as the Manager may retain.

MATERIAL CONTRACTS

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

BROKERAGE ARRANGEMENTS

Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of all portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions are made by the Manager.

The Manager will make reasonable and good faith efforts to achieve best execution for portfolio transactions executed on behalf of the Fund having regard to such factors as price, speed of execution, certainty of execution and the overall cost of the transaction. To the extent that the terms offered by more than one dealer are considered

by the Manager to be comparable, the Manager may from time to time direct brokerage transactions involving client brokerage commissions to a dealer in return for the provision of "order execution goods and services" or "research goods and services" (as these terms are defined in National Instrument 23-102 – Use of Client Brokerage Commissions) in connection with the Fund. Such services could include advice relating to the value of a security or the advisability of effecting a transaction in a security, analysis or reports concerning a security, portfolio strategy, issuer, industry, or an economic or political trend and databases or software to the extent that it supports the foregoing. The best net price as represented by brokerage commissions, spreads, and other costs is an important factor in the selection of a dealer but a number of other factors are considered including: the size of the transaction, the nature of the market of the security, the timing and impact of the transaction taking into account market prices and trends, confidentiality, execution, clearance and settlement capabilities as well as the reputation, experience and financial stability of the dealer and the quality of services rendered by the dealer in other transactions including the quality of the dealer's research. In addition, the Manager will review each trade for the Fund to determine, among other things, whether the Fund receives reasonable benefit considering the use of the services provided by a dealer and the amount of brokerage commissions paid.

In certain instances, the Manager may receive goods and services that contain some elements that qualify as "order execution goods and services" or "research goods and services" and some elements that do not so qualify. In these circumstances, the Manager will make a reasonable and good faith allocation to ensure that brokerage commissions paid on behalf of the Fund relate only to "order execution goods and services" or "research goods and services".

In effecting portfolio transactions, overall service and prompt execution of orders on favourable terms will be a primary consideration. The Manager may, in its discretion, choose to effect portfolio transactions with dealers who provide research, statistical and other similar services to the Fund and pay higher brokerage to compensate for such services.

The names of any dealers that provided investment decision-making services other than order execution services will be provided upon request by contacting Taylor Asset Management Inc. at 416-304-9670, or by e-mail at info@taylorassetmanagement.com.

The Manager has no contractual obligation to allocate the Fund's brokerage business to any specific brokerage firm.

PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION

As required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, the Manager is obligated to implement specific measures to detect and deter money laundering and the financing of terrorist activity. As such, Unitholders will have to provide additional information, as noted in the subscription agreement. If the Manager is aware or suspects that a Unitholder may be engaged in money laundering, then the Manager is required to report to the Financial Transactions and Reports Analysis Centre of Canada. This reporting shall not be treated as a breach of privacy laws or otherwise as it is required by law.

PURCHASERS' RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in certain of the Canadian provinces and territories of Canada provides purchasers of securities with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, if this Offering Memorandum and any amendment to it contains a "misrepresentation".

For the purposes of this section, "misrepresentation" means:

(a) an untrue statement of a fact that significantly affects, or would reasonably be expected to have a significant effect, on the market price or the value of Units (a "material fact"); or

(b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

These rights must be exercised by purchasers of Units within the prescribed time limits under applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation of their province or territory for the full particulars of these rights or consult with their legal advisor.

The rights of action for rescission or damages provided such securities legislation are in addition to and do not derogate from any other right that purchasers of Units may have at law.

A summary of these statutory rights of action for rescission or damages, or both, are described below. Prospective purchasers of Units should consult their own legal advisers with respect to their rights and the remedies available to them.

Rights of Purchasers in Ontario

Section 130.1 of the *Securities Act* (Ontario) (the “Ontario Act”) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) or any amendment thereto shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation (as defined in the Ontario Act). A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

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

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

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

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

to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

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

Rights of Purchasers in Alberta

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

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

In Alberta, no action shall be commenced to enforce these rights of action more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of any action other than an action for rescission, not later than the earlier of:
 - (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action, or
 - (ii) Three (3) years from the day of the transaction that gave rise to the cause of action.

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

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

Rights of Purchasers in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “Saskatchewan Act”) provides that in the event that an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases Units covered by the offering memorandum or any amendment to it has a right of action against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

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

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

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

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

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

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

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

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

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

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

Rights of Purchasers in Manitoba

Section 141.1 of the *Securities Act* (Manitoba), as amended (the "Manitoba Act") provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase and has a right of rescission against the issuer or has a right of action for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum.

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

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

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

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (c) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

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

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

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

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

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

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

Rights of Purchasers in Nova Scotia

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

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

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

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person’s or company’s knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person’s or company’s knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person’s or company’s consent to the offering

memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

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

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

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

Rights of Purchasers in New Brunswick

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

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

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

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

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

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

Rights of Purchasers in Prince Edward Island

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

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

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

- (a) the offering memorandum was sent to the purchaser without the person’s knowledge or consent and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- (b) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person’s consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

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

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

Section 121 of the PEI Act provides that no action may be commenced to enforce any of the foregoing rights more than:

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

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

Rights of Purchasers in Newfoundland and Labrador

In the event that an offering memorandum (such as this Offering Memorandum), or a record incorporated by reference in or deemed incorporated into the offering memorandum contains a misrepresentation when a person or company resident in Newfoundland and Labrador purchases securities offered by the offering memorandum, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, a right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no person or company shall be liable if the person or company proves that the purchaser had knowledge of the misrepresentation;
- (b) the amount recoverable under the above provisions shall not exceed the price at which the securities were offered under the offering memorandum; and
- (c) in an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

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

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

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

No action shall be commenced to enforce these rights more than:

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

Rights of Purchasers in Yukon

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

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

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

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

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

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

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
 - (i) there had been a misrepresentation, or
 - (ii) the relevant part of the offering memorandum
 - A. did not fairly represent the report, opinion or statement of the expert, or
 - B. was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

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

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

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

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

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

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

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

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

Rights for Purchasers in Northwest Territories

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

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

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

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

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

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

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

reasonable notice to the issuer that it had been sent without the person's knowledge and consent;

- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
 - (i) there had been a misrepresentation, or
 - (ii) the relevant part of the offering memorandum
 - A. did not fairly represent the report, opinion or statement of the expert, or
 - B. was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

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

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

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

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

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

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

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

whichever period expires first.

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

Rights for Purchasers in Nunavut

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

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

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

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

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

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

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

- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
 - (i) there had been a misrepresentation, or
 - (ii) the relevant part of the offering memorandum
 - A. did not fairly represent the report, opinion or statement of the expert, or
 - B. was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

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

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

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

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

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

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

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or

(b) in the case of any action other than an action for rescission,

(i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

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

CERTIFICATE

This Offering Memorandum does not contain a Misrepresentation.

Dated: July 29, 2016

TAYLOR PARTNERS FUND,

by its Manager,

TAYLOR ASSET MANAGEMENT INC.

By:

“David Taylor”

David Taylor
President

By:

“Caroline Levitt”

Caroline Levitt
Chief Financial Officer