

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8 “Certain Risk Factors”.



Picton Mahoney Arbitrage Plus Fund

### AMENDED AND RESTATED OFFERING MEMORANDUM

Date: January 31, 2020

**The Issuer**

Name: **PICTON MAHONEY ARBITRAGE PLUS FUND**

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Currently Listed  
or Quoted?  
Reporting Issuer?  
SEDAR Filer?

No. **These securities do not trade on any exchange or market.**  
No.  
No.

**The Offering**

Securities Offered: Class A (formerly Class B), Class F, Class V, and Class I units (the “Units”) of Picton Mahoney Arbitrage Plus Fund (the “Fund”).

Price per Security: Class Net Asset Value per Unit as at the first Valuation Date following the date on which the subscription is accepted (the “Subscription Price”).

Minimum Offering: **There is no minimum. You may be the only purchaser.**

Maximum Offering: There is no maximum to the number of Units offered. **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Minimum Subscription Amount: \$25,000 for Class A, Class F and Class V Units. \$1,000,000 for Class I units

Payment Terms: Certified cheque or wire transfer together with sales commission (if any) payable to your dealer, in the amount of the Subscription Price.

Proposed Closing Date(s): Units will be offered on a continuous basis from the date of this Offering Memorandum, unless extended by the Manager, with closings to occur on the last Business Day (as defined herein) of each month.

Income Tax Consequences: There are important tax consequences to these securities. See Item 6 “Certain Income Tax Consequences and Eligibility for Investment”.

Selling Agent(s): None.

**Resale Restrictions**

You will be restricted from selling your securities for an indefinite period. See Item 14 “Resale Restrictions”. You may redeem your securities in certain circumstances. See Item 5.3 “Redemption of Units”

**Purchasers’ Rights**

You have two (2) Business Days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 16 “Purchaser’s Rights”.

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## **ITEM 1. USE OF AVAILABLE FUNDS**

### **1.1 Net Proceeds**

It is not possible to determine accurately what the net proceeds of the Offering will be as this is a continuing offering and the Subscription Price will vary depending on what the Class Net Asset Value is at the time each Unit is purchased. The Fund sells Units on a continuous basis, with closings to occur on the last Business Day of each month.

### **1.2 Use of Available Funds**

The Fund intends to use the net proceeds from the sale of the Units to purchase its respective portfolio of securities in accordance with such Fund's stated objective. See "Investment Approach, Objective and Investment Strategies" for a detailed description of the Fund's stated objective.

### **1.3 Reallocation**

The Fund intends to spend the net proceeds as stated. The Fund does not intend to reallocate funds.

## **ITEM 2. BUSINESS OF THE FUND**

### **2.1 Structure**

The Fund is an open-ended trust governed under the laws of the Province of Ontario. The Fund was formed on February 27, 2017 and is governed by an amended and restated pooled fund trust agreement dated January 13, 2020 and as the same may be amended, restated or supplemented from time to time, as amended by Amendment No. 1 dated January 31, 2020 (the "Trust Agreement"). CIBC Mellon Trust Company acts as the trustee (the "Trustee" or "CIBC Mellon") of the Fund pursuant to the Trust Agreement. The mailing address of the Trustee is c/o CIBC Mellon Global Securities Services Company, 1 York Street, Suite 900, Toronto, ON M5J 0B6. Effective January 13, 2020, Picton Mahoney Asset Management (the "Manager" or "Picton Mahoney") has been appointed the Manager of the Fund following its acquisition from Vertex One Asset Management Inc. of the rights to manage the Fund pursuant to an agreement of purchase and sale dated October 21, 2019. The Manager acts as the manager of the Fund pursuant to the Trust Agreement. The office of the Fund and of the Manager is located at 33 Yonge Street, Suite 830, Toronto, Ontario M5E 1G4. The Fund is permitted to issue trust units ("Units") in an unlimited number of classes pursuant to the Trust Agreement. The description of provisions of the Trust Agreement contained herein is subject to and qualified in its entirety by the Trust Agreement.

### **2.2 Our Business**

The Fund is an investment fund that invests in assets in accordance with the investment objectives, strategies and restrictions described herein.

### **2.3 Development of Business**

The Fund commenced business on October 31, 2013. The Fund has expanded its business through the sale of Units. The Fund introduced Class V Units on January 13, 2020. As of December 31, 2019, there were approximately 990,962.950 Class A (formerly Class B) Units, 18,761,950.274 Class F Units, and 0 Class V Units of the Fund outstanding.

### **2.4 Investment Approach, Objective and Investment Strategies**

#### **Investment Approach**

The Manager utilizes a risk arbitrage strategy, which is a highly specialized investment approach designed to profit from the successful completion of mergers, take-overs, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations.

There are a number of risk arbitrage techniques that may be used depending on the characteristics of the individual transaction being arbitrated. The most commonly employed risk arbitrage activity involves purchasing the shares of an announced acquisition target company at a discount to their expected value upon completion of the acquisition. When a take-over bid, amalgamation or arrangement involving cash consideration or securities of the acquiring company is announced, the value of the securities and/or cash to be received may be higher or lower than the market price of the securities of the target company for which they are to be exchanged. If the Manager believes that it is probable that the proposed transaction or a higher value transaction will be consummated, the Fund may purchase shares of the target company.

### **Investment Objective**

The investment objective of the Fund is to provide consistent, positive returns, with low volatility and low correlation to equity markets.

### **Investment Strategies**

The investment strategy of the Fund is to invest in securities in Canada, the United States and other foreign jurisdictions. The Manager uses investment strategies designed to minimize market exposure, including short selling and purchasing and selling options. In particular, the Manager may engage in selling securities short when the terms of a proposed acquisition call for the exchange of common shares and/or other securities. If the transaction is consummated, the Fund will then exchange the securities of the target company which it has accumulated for the securities issued by the acquiring company and may cover its short position, if any, with the securities so received. Alternatively, where cash is being offered as consideration, shares of the target company purchased in the open market will normally be tendered as cash to the acquiring company. Transactions in listed stock options may also be used to hedge long and short positions. These hedging transactions are intended to reduce the risk of loss to the Fund in certain exchange offers and mergers. If, after the Fund has established a position, it appears that the transaction is proceeding contrary to expectations, the Fund may take its profits or losses or attempt to minimize potential losses by liquidating its long positions and covering any short positions. Additionally, the Fund may engage in short selling of the target company's shares if the Manager determines that there is a likelihood that the merger or other transaction will fail to be consummated. A portion of the Fund's holdings may be in the form of cash or cash equivalents, and from time to time the Fund may invest the majority of its assets in cash or cash equivalents.

In seeking to achieve its investment objective, the Manager may also employ a variety of additional investment strategies to take advantage of profitable opportunities in the capital markets. These additional strategies are discussed below.

### ***Put and Call Options***

The Fund may purchase and sell options on fixed instruments, commodities and common shares and may also use them for hedging purposes. The use of puts and calls implies the use of leverage through the use of margin.

### ***Fund Investments***

The Fund may invest in securities of, or otherwise gain exposure to, other funds ("Underlying Funds"), including funds for which the Manager is the manager and/or portfolio manager, that employ a variety of strategies. The amounts invested from time to time in an Underlying Fund for which the Manager is the manager and/or portfolio manager may exceed 20% of either the votes attaching to the outstanding units of another Underlying Fund for which the Manager is the manager and/or portfolio manager or the outstanding units of that Underlying Fund for which the Manager is the manager and/or portfolio manager, may only be made if the Manager determines that an investment in an Underlying Fund for which the Manager is the manager and/or portfolio manager is consistent with the investment objectives, investment strategies and investment restrictions of the Fund and in the best interests of the Fund. The investment by the Fund in units of an Underlying Fund for which the Manager is the manager and/or portfolio manager will not result in any duplication of management fees and performance fees to the Fund or the investors of the Fund and the Manager will not receive any management fees or performance fees in respect of the units of the Underlying Fund for which the Manager is the manager and/or portfolio manager to be purchased by the Fund.

To the extent that the Fund invests in Underlying Funds for which the Manager is the manager and/or portfolio manager, it will invest in Class I Units of each Underlying Fund which will be charged no management or performance fee. As such, the investment by the Fund in units of an Underlying Fund for which the Manager is the manager and/or portfolio manager will not result in any duplication of management fees or performance fees to the Fund or the investors of the Fund and the Manager will not receive any management fees or performance fees in respect of the units of the Underlying Fund for which the Manager is the manager and/or portfolio manager to be purchased by the Fund.

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

Making long investments in securities of issuers identified as attractive investment candidates by the Manager's investment process. Eligible securities include equities, units of special purpose acquisition companies ("SPACs"), subscription rights, warrants, participation units, global depository receipts, American depository receipts, master limited partnerships, other securities with equity characteristics, forward contracts, options and other derivatives, investment funds, and exchange-traded funds.

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

Short selling of securities of issuers identified as unattractive investments by the Manager's investment process and/or to hedge the market exposure of long positions, whether held directly or indirectly. Eligible securities include equities, units of SPACs, subscription rights, warrants, participation units, global depository receipts, American depository receipts, master limited partnerships, other securities with equity characteristics, forward contracts, options and other derivatives, investment funds, and exchange-traded funds.

### ***Pairs Trading***

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

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

The Fund will not purchase private securities. Some mergers include a spin-out equity, contingent value right, or other form of consideration that is unlisted at the time of the announcement but is intended to become listed shortly following the consummation of the merger. The Fund may transact in these types of securities when an active non-listed "grey" market exists.

### ***Derivatives***

The Fund may use derivatives to reduce or hedge against various risks including currency exchange risk associated with its foreign investments, and to obtain investment exposures on positions consistent with its investment objective, strategies and risk management. The derivatives that the Fund may use in this regard include options and forward contracts. The Fund may also use option strategies that include both long and short positions to reduce portfolio risk and hedge against adverse market events.

### ***Leverage***

The Fund is authorized to borrow in order to increase its investment leverage. On a position by position basis, margin requirements of the applicable exchange will be adhered to by the Fund. The Fund may also use leverage in order to implement certain investment strategies which may employ derivatives in order to achieve the needed leverage as opposed to direct borrowing.

The Fund's use of leverage will not exceed 160% of its net asset value, measured at the time of investment.

### ***Special Situations***

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

### ***Other Investments***

The Fund may invest in fixed income securities, including preferred shares, convertible securities, and corporate and sovereign debt securities.

### ***Statutory Caution***

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

## **2.5 Investment Restrictions**

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

### ***Sole Undertaking***

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

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

Except in accordance with applicable securities law and with regulatory orders it has obtained, the Fund will not purchase securities from, or sell securities to, the Manager or any of its affiliates or any individual who is a partner, director or officer of any of them, any employee of the Manager or any portfolio managed by the Manager. The Fund may invest in Class I Units of the Underlying Funds and purchase units of other funds managed by the Manager.

### ***Commodities***

The Fund will not purchase any physical commodity.

### ***Control Restrictions***

Except as described herein and as may be permitted by applicable securities laws or regulatory relief therefrom, the Fund will not purchase a security of an issuer if, immediately after the purchase, the Fund would hold securities representing more than 30% of either the votes attaching to the outstanding securities of that issuer or the outstanding equity securities of that issuer, or purchase a security for the purpose of exercising control over or management of the issuer of the security. If the Fund acquires a security other than as the result of a purchase and the acquisition results in the Fund exceeding its limit described in this paragraph, the Fund will, as quickly as is commercially reasonable (and in any event within 90 days of the acquisition), reduce its holdings of those securities so that it does not hold securities exceeding such limits. This limit does not apply to holdings of cash or cash equivalents, which may exceed this limit where the Manager considers it desirable due to market conditions or otherwise.

### ***Foreign Investment Restrictions***

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

### ***SIFT Trust***

The Fund will not invest in any property to the extent that such an investment would result in the Fund being a “SIFT trust” as defined in the Tax Act (or amendments to such provisions as enacted into law or successor provisions thereto).

### ***Unhedged Foreign Currency***

Unhedged foreign currency investments by the Fund will be limited to no more than 20% of its net asset value.

## **2.6 Material Agreements**

The following is a description of all current and proposed material agreements relevant to the management, organization and administration of the Fund.

### **Trust Agreement**

The Fund was created pursuant to the Trust Agreement entered into by Picton Mahoney as the Manager and CIBC Mellon as the Trustee to facilitate the administration of the Fund. The Trust Agreement is the Fund’s constituting document and describes the terms and conditions respecting the issuance and redemption of Units, investment and valuation of the Fund’s assets, determination and distribution of gains, management and administration of the Fund, duties of the Manager and Trustee, meetings of Unitholders and how the Trust Agreement can be terminated or amended. The following is a summary of the material provisions of the Trust Agreement, which does not purport to be complete. Please refer to the Trust Agreement for full particulars of these provisions. You may view a copy of the Trust Agreement by contacting the Manager at 33 Yonge Street, Suite 830, Toronto, Ontario, Canada M5E 1G4.

### ***The Manager***

The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund’s investment portfolio. The Manager was formed as a general partnership under the laws of Ontario in 2004, to provide investment management services to the Canadian marketplace. Two of the Manager’s principals, David Picton and Michael Mahoney, were founding partners at Synergy Asset Management Inc. in 1997 which was purchased by CI Investments in 2003.

With over \$7 billion in assets under management in sub-advisory, hedge fund and mutual fund assets as at December 31, 2019, Picton Mahoney is 100% employee owned. The Manager is registered with applicable securities regulatory authorities as an Investment Fund Manager, Exempt Market Dealer, Portfolio Manager, and Commodity Trading Manager. The Manager carries out its advisory activities from 33 Yonge Street, Suite 830, Toronto, Ontario, Canada M5E 1G4.

Pursuant to the Trust Agreement, the Manager has authority to manage the business and affairs of the Fund and has authority to bind the Fund. The Manager will be responsible for managing the assets of the Fund, will have complete discretion to invest and reinvest the Fund’s assets, and will be responsible for executing all portfolio transactions. The Manager may delegate its powers, including its investment advisory role, to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonable prudent person in comparable circumstances. Among its other powers, the Manager may establish



the Fund's operating expense budgets and authorize the payment of operating expenses. For a discussion of the fees payable to the Manager, see "Fees and Expenses".

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

Pursuant to the Trust Agreement, the Manager may resign its role as manager of the Fund upon 60 days' written notice to the Trustee and Unitholders. If no successor Manager is appointed or if Unitholders fail to approve a successor, the Fund shall be terminated.

### ***The Trustee***

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

Pursuant to the Trust Agreement, the Manager may remove the Trustee and appoint a successor trustee from time to time on 90 days' written notice or in certain other circumstances. The Trustee or any successor appointed pursuant to the terms of the Trust Agreement may resign upon 90 days' written notice to the Manager, who shall use its best efforts to appoint a successor trustee. If the Manager fails to appoint a new trustee within 30 days of the date of notice provided by the Trustee, the Unitholders may elect, by a majority of the votes cast, a successor trustee at a meeting of Unitholders to be held by the Manager for such purpose within 30 days thereafter. If no successor Trustee is appointed within 90 days of the date of notice of the Trustee's resignation, the Fund shall be terminated.

The Trust Agreement provides that the Trustee and its affiliates have a right of indemnification from, jointly and severally, the Fund and the Manager for any claims arising out of the execution of its duties as trustee, except in cases of gross negligence, willful default or dishonesty on the part of the Trustee. In addition, the Trust Agreement contains provisions limiting the liability of the Trustee.

### ***Meetings of Unitholders***

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

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

To the extent that the Fund holds Class I Units of any Underlying Fund, the Manager will not vote any such units at a meeting of such Underlying Fund.

Not less than 21 days' notice will be given of any meeting of Unitholders. The quorum at any meeting of the Fund's Unitholders is a majority of the outstanding Units of the Fund or Units of a Class, as applicable, then outstanding present in person or by proxy. If no quorum is present at such meeting when called, the meeting will be adjourned by the Manager to a date and time determined by the Manager, and at the adjourned meeting the quorum for any such adjourned meeting shall be two unitholders, represented in person or by proxy.

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

### ***Amendment of the Trust Agreement***

Any provision of the Trust Agreement or a schedule thereto may be amended, deleted, expanded or varied by the Manager, provided such amendment, deletion, expansion or variation shall not take effect until after a Valuation Date specified in a notice sent by the Manager to the Unitholders and the Trustee at least thirty days prior thereto and provided that the Trustee must consent in writing to any amendment, deletion, expansion or variation which affects the rights, powers and duties of the Trustee. The notice shall either summarize the effect of the amendment or contain the full text of the amendment. No amendment shall operate, directly or indirectly, to impair or deprive any Unitholder of the value of its participation in any of the Fund as of the Valuation Date coinciding with or next preceding the day the amendment is effective.

Notwithstanding the foregoing, the Trust Agreement may be amended by the agreement of the Trustee and the Manager if the amendment is not materially adverse to Unitholders in the opinion of counsel to the Fund or, in the opinion of counsel to the Trustee, is necessary or desirable to comply with Applicable Laws and notice of the amendment is given to Unitholders forthwith.

### ***Conflict of Interest***

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

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

#### *Allocation of Investment Opportunities*

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

#### *Conflicts of Interest Policy*

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

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

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

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

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

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

#### *Liability of Unitholders*

Under the terms of the Trust Agreement, to the full extent permitted by applicable law, no Unitholder will have any personal liability and no access will be had to the private property of any Unitholder for satisfaction of any obligation or claim arising out of any contract or obligation of the Fund or the Trustee or the Manager. The Trust Agreement provides that the Fund will indemnify, out of the property of the Fund, each Unitholder in the event any Unitholder is held personally liable. See “Certain Risk Factors – Liability of Unitholders Risk”.

#### **Custodial Services Agreement**

CIBC Mellon Serves as the custodian of the Fund pursuant to the Custodial Services Agreement (Pooled Funds) made as of January 13, 2020 between Picton Mahoney Asset Management in its capacity as investment fund manager of the Fund and in its personal capacity and CIBC Mellon. See “Custodial Arrangements”.

#### **Fund Administration Services Agreement**

CIBC Mellon Global Security Services Company serves as the recordkeeper and fund administrator of the Fund pursuant to the Fund Administration Services Agreement made as of January 13, 2020 between Picton Mahoney Asset Management, on behalf of the Fund and in its own capacity and CIBC Mellon Global Securities Services Company. See “Administrator, Record Keeper, Transfer Agent and Registrar”.

## 2.7 Fees and Expenses

### Expenses

The Manager pays for the costs of offering the Units, including the fees and expenses of legal counsel and the Fund's auditors.

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

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

The Manager may from time to time waive any portion of the fees and reimbursement of expenses otherwise payable to it, but no such waiver affects its right to receive fees and reimbursement of expenses subsequently accruing to it.

The Manager uses certain brokerage fees otherwise payable as soft dollars to purchase research to support its investment decision-making process. The Manager does not use soft dollars for any purpose other than for research services which are determined to be in the best interests of the Unitholders of the Fund. Soft dollars represent a modest amount of the Manager's overall trading commissions, and the annual soft dollar budget is reviewed and approved by the Manager's Chief Operating Officer and/or Chief Compliance Officer. The Manager monitors trade executions to ensure that all commissions, including soft dollar arrangements, are at competitive levels to satisfy its requirement to seek the best execution for all trades.

### Management Fee

The Class B Units are charged a Management Fee equal to 1/12 of 2% per month (2% per annum) of the net asset value of the Class A (formerly class B) Units of the Fund, plus applicable taxes, on the last Business Day of the month.

The Class F Units are charged a Management Fee equal to 1/12 of 1% per month (1% per annum) of the net asset value of the Class F Units of the Fund, plus applicable taxes, on the last Business Day of the month.

The Class V Units are charged a Management fee equal to 1/12 of 1% per month (1% per annum) of the net asset value of the Class V Units of the Fund, plus applicable taxes, on the last Business Day of the month.

The Class I Units are designed for institutional investors and other investors determined by the Manager in its sole discretion and are subject to management and performance fees as negotiated between the Manager and the investor. Where Class I Units are issued to other funds managed by the Manager, no management or incentive fees will be charged.

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

### Performance Fee

The Manager receives a performance fee (the "Performance Fee") in respect of each of the Class A Units, Class F Units, Class V Units, and Class I Units. The Performance Fee in respect of Class A Units, Class F Units and Class V Units shall be equal to 15% of the amount by which the performance of the Fund exceeds the previous High Water Mark (as defined herein) for each applicable Class. The performance fee is accrued monthly and is payable for each

calendar quarter, provided that the High Water Mark is exceeded, as referred to below. The Performance Fee will be payable by the Fund within 10 Business Days from the quarter-end. Upon the redemption of Units of a particular Class, the accrued portion of the performance fee allocated to the redeemed Units for that Class will be payable by the Fund within 10 Business Days of the end of the month in which the Units were redeemed.

The highest quarter-end net asset value per Unit for each Class from time to time establishes a High Water Mark for each Class which must be exceeded in subsequent quarters for the performance fee applicable to each Class to be payable. The Performance Fee is subject to applicable taxes, such as HST.

The Performance Fee in respect of each of the Class A Units, Class F Units and Class V Units, as the case may be, on a particular Valuation Date (as defined herein) shall be equal to the product of (a) 15% of the positive difference between (i) the adjusted Class Net Asset Value per Unit on the Valuation Date (as defined herein), (ii) the greatest Class Net Asset Value per Unit on any previous Valuation Date (or the date Units of the Class were first issued, where no Performance Fee liability has previously arisen in respect of Units of the Class) (the “High Water Mark”); and (b) the number of Units outstanding on the applicable Valuation Date on which the Performance Fee is determined, plus applicable taxes. As used herein, Adjusted Class Net Asset Value per Unit on a Valuation Date means the Class Net Asset Value per Unit on the Valuation Date, without giving effect to any Performance Fee determined on such Valuation Date.

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

In addition, the Manager may negotiate a Performance Fee in connection with the issuance of Class I Units to third parties.

### **Fee Rebates**

Effective April 1, 2020, to encourage large investments in the Fund and to be able to offer fees which are competitive for investments of that size, and in certain other circumstances, the Manager may from time to time reduce the Management Fee and/or the Performance Fee that it otherwise would be entitled to receive with respect to such an investor’s investment in the Fund provided that the amount of the fee reduction is distributed (a “Fee Distribution”) to such Unitholder. Fee Distributions of the Fund, where applicable, will be computed on each Valuation Date and shall be payable quarterly, or at such other times as the Manager may determine, first out of net income and the net capital gains of the Fund and thereafter out of capital. Any such reduction in Management Fees and/or Performance Fees in respect of a large investment in a Fund will be negotiated by the Manager and the investor or the investor’s Dealer and will be based primarily on the size of the investor’s investment in the Fund and the total amount of services provided to the investor with respect to their investment in the Fund. The Manager may also reduce its fees to encourage investors to invest in a new fund. A qualified investor can choose to receive the Fee Distribution in cash or in additional Units. The amount of any Fee Distribution is income to the Unitholder receiving it, to the extent it is paid out of net income or net taxable capital gains of the Fund. See “Certain Canadian Federal Income Tax Considerations” and “Distributions”.

### **Sales Charges for Class A Units**

Investors in Class A Units can elect to purchase Class A Units pursuant to the Sales Charge Option (as defined below). Class F Units are not subject to any sales charges.

### **Fees and Expenses of the Underlying Funds**

For providing its services to the respective Underlying Funds, the Manager receives a management fee and a performance from the respective Underlying Funds attributable to the certain classes of units of the applicable Underlying Funds. However, any investment by the Fund into Class I Units of the respective Underlying Funds will not result in any duplication of management fees or performance fees to the Fund or the investors of the Fund as any

investment by the Fund in the respective Underlying Funds will only be in Class I Units of the applicable Underlying Fund that carry no management fees and performance fees. For greater certainty, the Manager will not receive any management fees or performance fees in respect of the Class I Units of the Underlying Funds to be purchased by the Fund. In addition, no sales charges or redemption fees are payable by the Fund in relation to its purchase or redemption of Class I Units of the Underlying Fund.

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

The Class I Units of the Underlying Fund purchased by the Fund will be responsible for the above expenses specifically related to that class of units of the Underlying Fund and a proportionate share of expenses that are common to all classes of units of the Underlying Fund. As a result, Unitholders that invest in Underlying Funds will indirectly bear a proportionate share of such expenses of such Underlying Funds.

Copies of the offering memorandum, the most recent audited annual financial statements and the most recent unaudited semi-annual financial statements of the Underlying Funds in which the Fund is invested in will be made available to Unitholders free of charge upon request and may be inspected at the principal office of the Fund during normal business hours.

### **ITEM 3. DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS**

#### **3.1 Compensation and Securities Held**

The name, municipality of residence, positions held and securities held of the directors and officers of Picton Mahoney, Manager and Trustee of the Fund are as follows:

<b>Name and Municipality of Principal Residence</b>	<b>Positions Held and the Date of Obtaining that Position</b>	<b>Compensation Paid by the Fund in the Most Recently Completed Financial Year and the Compensation Anticipated to be Paid in the Current Financial Year</b>	<b>Number, Type and Percentage of Securities Held<sup>1</sup></b>
David Picton Toronto, Ontario	Member of Executive Committee, President, Chief Executive Officer and Ultimate Designated Person since September 2004	Nil.	0
Arthur Galloway Toronto, Ontario	Member of Executive Committee, Chief Financial Officer, Chief Operating Officer and Corporate Secretary since April 2005	Nil.	0

<sup>1</sup> As at December 31, 2019. As the Fund offers Units on a continuous basis, the number and percentage of securities held after completion of maximum offering cannot be determined.

Name and Municipality of Principal Residence	Positions Held and the Date of Obtaining that Position	Compensation Paid by the Fund in the Most Recently Completed Financial Year and the Compensation Anticipated to be Paid in the Current Financial Year	Number, Type and Percentage of Securities Held <sup>1</sup>
Catrina Duong Toronto, Ontario	Chief Compliance Officer since June 2017	Nil	0

### 3.2 Management Experience

The following table provides information about the principal occupation and past employment history of the directors and executive officers of Picton Mahoney.

Name	Principal occupation and related experience
David Picton Toronto, Ontario	David Picton, President and Chief Executive Officer of Picton Mahoney Asset Management, is a founding partner of the firm and lead Portfolio Manager responsible for the Canadian equity market neutral, long short, and long only strategies. Mr. Picton has been a prominent presence in the Canadian investment industry for several decades, including launching Synergy Asset Management Inc. in 1997, working as its lead Canadian momentum portfolio manager and spending eight years as Head of Quantitative Research at RBC Dominion Securities Inc. where he was one of the top ranked analysts in his sector. Mr. Picton holds an Honours Bachelor of Commerce degree from the University of British Columbia. He also received a Leslie Wong Fellowship from the University of British Columbia's prestigious Portfolio Management Foundation.
Arthur Galloway Toronto, Ontario	Arthur Galloway, Chief Financial Officer, Chief Operating Officer and Corporate Secretary of Picton Mahoney, is responsible for firm-wide financial operations, internal financial control and internal and external financial reporting. He is also responsible for the financial oversight and administration of Picton Mahoney's alternative investment funds. Before joining Picton Mahoney, he spent 10 years with Investors Financial Services, holding the position of Director upon his departure, where his clients included numerous global asset management firms. He holds a Bachelor of Business degree in Finance from Brock University and is a CFA charterholder.
Catrina Duong Toronto, Ontario	Catrina Duong, Chief Compliance Officer, is responsible for the monitoring and oversight of Picton Mahoney's compliance program. Ms. Duong has over 10 years of experience, most recently as a member of the Legal and Compliance Department at BlackRock Asset Management Canada Limited. She has a Bachelor of Arts (Hons) from the University of Toronto, a law degree from Queen's University and is a member of the Bar of the Province of Ontario.

### 3.3 Penalties, Sanctions and Bankruptcy

No director, officer or person holding a sufficient number of securities of the Manager to affect materially the control of the Manager has, in the last 10 years:

- (a) been subject to any penalties or sanctions imposed by a court or by a regulatory authority;
- (b) been a director, senior officer or control person of any issuer that has been subject to any penalties or sanctions imposed by a court or by a regulatory authority while the director, officer or control person was a director, officer or control person of such issuer;

- (c) made any declaration of bankruptcy, voluntary assignment in bankruptcy or proposal under bankruptcy or insolvency legislation or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets; or
- (d) been a director, senior officer or control person of any issuer that has made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under bankruptcy or insolvency legislation, or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets while the director, officer or control person was a director, officer or control person of such issuer.

### 3.4 Interest in Underlying Fund

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

As of the date of this Offering Memorandum, the directors and officers of the Manager do not hold, on an aggregate basis, a significant interest in any Picton Underlying Funds.

## ITEM 4. CAPITAL STRUCTURE

### 4.1 Authorized and Issued Capital

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

**Class A (formerly Class B) Units** are designed for investors investing \$25,000 or more who are not eligible to purchase Class F Units.

**Class F Units** are designed for investors investing \$25,000 or more that have fee-based accounts with Dealers who have been approved by the Manager to sell Class F Units.

**Class V Units** are designed for investors previously held Class F Units through managed accounts at Vertex One Asset Management Inc. (the former manager of the Fund) or, at the discretion of the Manager, for clients of a Dealer investing \$25,000 or more and which Dealer has obtained consent from the Manager to offer Class V units.

**Class I Units** are designed for other investment funds managed by the Manager, institutional investors and other investors on a case-by-case basis, all at the discretion of the Manager. The minimum investment amount for a third party is \$1,000,000.

Description of Security	Number authorized to be issued	Number outstanding as at December 31, 2019* **
Class A Units	Unlimited	990,962.950
Class F Units	Unlimited	18,761,950.274
Class V Units	Unlimited	Nil
Class I Units	Unlimited	Nil



\*As the Fund offers Units on a continuous basis, the number of Units of each Class after completion of maximum offering cannot be determined.

\*\* As of December 31, 2019, the issued and outstanding Units had the following net asset values: Class A – \$11.35 per Unit; Class F – \$11.54 per Unit; Class V – \$0 per Unit.

## **4.2 Long-term Debt Securities**

The Fund has no long-term debt.

## **4.3 Prior Sales**

<b>Type of Security Issued</b>	<b>Date of Issuance</b>	<b>Number of Securities Issued and/or Subscribed For</b>	<b>Average Price per Security</b>	<b>Total Funds Received</b>
Class A Units	January 1, 2019 to December 31, 2019	236,670	11.01	\$2,606,417
Class F Units	January 1, 2019 to December 31, 2019	9,654,827	11.11	\$107,235,037

The Fund began offering Class I Units as of January 31, 2020. The Fund began Offering Class V Units as of January 13, 2020. Within the 12 months from January 1, 2019 to December 31, 2019, an aggregate of 217,50 Class A Units, and 5,409, 871 Class F Units have been redeemed for an aggregated gross redemption amount of \$62,984,794.

## **ITEM 5. SECURITIES OFFERED**

### **5.1 Terms of Securities**

To date, the Fund has Class A Units, Class F Units, Class V Units and Class I Units, together with each future Class, are referred to collectively as the “Classes.”

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

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

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

All Units of the same Class of the Fund are entitled to participate pro rata: (i) in any payments or distributions (other than Fee Distributions described in “Fees and Expenses”) made by the Fund to the Unitholders of the same Class; and (ii) upon liquidation of the Fund, in any distributions to Unitholders of the same Class of net assets of the Fund attributable to the Class remaining after satisfaction of outstanding liabilities of such Class. Units are not transferable,

except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Manager. To dispose of Units, a Unitholder must have them redeemed.

Fractional Units carry the same rights and are subject to the same conditions as whole Units (other than with respect to voting rights) in the proportion which they bear to a whole Unit. Outstanding Units of any Class may be subdivided or consolidated in the Manager's discretion on 90 days' prior written notice to the Trustee. Units of a Class may be re-designated by the Manager as Units of any other Class having an aggregate equivalent Class Net Asset Value (as described in "Determination of Net Asset Value").

## 5.2 Subscription Procedure

### Purchase of Units

Investors may be admitted to a Fund or may acquire additional Units on a monthly basis as of the last business day (any day on which the Toronto Stock Exchange ("TSX") is open for trading is referred to as a "Business Day") of each calendar month. The Units are being offered using the mutual fund order entry system FundSERV. Subscription for Units may be made directly through the Manager (in jurisdictions where it is registered to sell the securities) or from a distributor on the FundSERV network.

The subscription price is payable upon subscription, by cheque or by bank draft. No financing of the subscription price will be provided by the Manager. As of the date of this Offering Memorandum, the minimum subscription price for initial investments in Class A Units, Class B Units, Class F Units and Class V Units is \$25,000. The minimum subscription price for initial investments in Class I Units is \$1,000,000. The Manager may in its discretion waive these minimum investment amounts established by it, accept investments in other minimum amounts permitted under applicable securities laws, or require higher minimum investment amounts.

Each prospective and qualified investor who desires to subscribe for Units must:

- (a) complete and sign the form of subscription agreement in substantially the form provided by the Manager, specifying the number of Units being subscribed for either directly or through Dealers or other persons permitted by applicable securities laws to sell Unit; and
- (b) deliver to the Manager, in trust, a cheque or bank draft for the subscription price payable for the Units subscribed for, made payable to "CIBC Mellon Global Securities Services Company, in trust" (all such funds will be transferred to a Fund account on closing).

The purchase price per Unit will be an amount equal to the net asset value per Unit subscribed for and may vary from class to class. The net asset value per Unit for subscriptions which are received and accepted by the Manager before the close of business on a Valuation Date will be calculated as of that Valuation Date. The net asset value per Unit for subscriptions received and accepted after the close of business will be calculated on the next Valuation Date.

Subscriptions will be received subject to prior sale and acceptance of the investor's subscription, in whole or in part (subject to compliance with applicable securities laws), by the Manager on behalf of the Fund. Funds in respect of any subscription will be payable by investors at the time of the subscription.

**The subscription funds, subscription agreements and other documents received by the Manager will be held in trust and released upon closing. Where required pursuant to National Instrument 45-106 *Prospectus Exemptions* ("NI 45-106"), the subscription amount will be held in trust until the earlier of: (i) the time the purchase is processed; or (ii) midnight on the second Business Day after the investor signs a subscription agreement. Closings will occur on a continuous basis at the end of each month in which subscriptions are received.**

As required by NI 45-106, the subscription amount received from investors to whom Units will be issued will be held in trust until at least midnight on the second Business Day after the investors pay such funds to the Fund. Units will be offered at the Class Net Asset Value per Unit (as described in "Determination of Net Asset Value") calculated as of the applicable Valuation Date. The Class Net Asset Value per Unit for subscriptions which are received and

accepted by the Manager prior to 4:00 p.m. (Eastern time) on the last Business Day of a month will be calculated as of the Valuation Date for that month. Subscriptions which are received and accepted by the Manager after 4:00 p.m. (Eastern time) on the last Business Day of a month will be calculated as of the Valuation Date for the following month (see “Determination of Net Asset Value”). All subscriptions for Units are to be forwarded by Dealers, without charge, the same day that they are received, to the Manager or purchased using the FundSERV network, as applicable.

The Manager reserves the right to accept or reject orders, whether made through the Manager or entered on the FundSERV network, within 30 days of their receipt by the Manager, and any monies received with a rejected order will be refunded forthwith, without interest, other compensation or deduction, after such determination has been made by the Manager. The Manager shall not accept subscriptions from and shall not direct the issuance or transfer of Units to: (a) any person who is or would be a “designated beneficiary” of the Fund, as such term is defined in Part XII.2 of the Tax Act, if, as a consequence thereof, the Fund would be liable for tax under Part XII.2 of the Tax Act; (b) a “financial institution”, as defined in the Tax Act for the purposes of the mark-to-market rules, if the Fund itself would be deemed to be a “financial institution” under such rules as a result of such subscription/issuance of Units; or (c) a non-resident of Canada, if in the opinion of the Manager, the issuance or transfer of a Unit to such person could create a material risk that the Fund could lose its status as a mutual fund trust under the Tax Act. If at any time the Manager becomes aware that Units are beneficially owned by one or more entities described above, the Fund may redeem all or such portion of the Units on such terms as the Manager deems appropriate in the circumstances. All subscriptions for and/or transfers of Units shall, if required by the Manager, be accompanied by evidence satisfactory to the Manager confirming that the investor making the subscription or transfer is not and will not be a “designated beneficiary” of the Fund. All subscriptions will be irrevocable. Fractional Units will be issued up to four decimal points.

A book-based system of registration is maintained for the Fund. Unit certificates will not be issued. The register for the Units is kept at the office of the Administrator (as defined herein). Following each purchase or redemption of Units, Unitholders will receive a written confirmation from the Trustee indicating details of the transaction including the class, number and dollar value of the Units purchased or redeemed, the net asset value per Unit and the class, number and dollar value of Units held by the Unitholder following such purchase or redemption.

### **Minimum Investment**

The minimum initial investment in the Fund is \$25,000 for the Class A Units, Class F Units and Class V Units and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. The minimum initial investment in Class I Units of the Fund is \$1,000,000.

Additional investments in the Fund are generally permitted, provided that the Unitholder’s initial investment was equal to a minimum of \$150,000 and the additional investment is for the same class as the initial investment and the Unitholder, as at the date of the subsequent trade, holds securities of the Fund that have an acquisition cost of not less than \$150,000 or a net asset value of not less than \$150,000. The minimum additional subscription for Class A Units, Class F Units and Class V Units is \$1,000 or such greater amount as may be otherwise required to comply with applicable securities laws or as may be prescribed by the Manager. The minimum additional subscription for Class I Units for a third party is \$500,000 or such other amount that may be prescribed by the Manager in its sole discretion.

### **Distribution of Units**

Units are offered under this Offering Memorandum only to investors resident in the Provinces of British Columbia (the “Offering Jurisdiction”) pursuant to applicable exemptions from the prospectus requirements of the securities laws in the Offering Jurisdiction.

## 5.3 Redemption of Units

### How to Redeem Units

Units may be surrendered to the Manager for redemption at any time. A Unitholder may have his or her Units redeemed as of the last business day of each month (the “Redemption Date”) at the Class Net Asset Value per Unit as of the Redemption Date provided the Manager has received a notice of redemption in respect of such Units prior to the close of business twenty Business Days (or such shorter period as is approved by the Manager) prior to the Valuation Date on which the Units are intended to be redeemed, otherwise such Units will be redeemed on the next Valuation Date that is at least twenty Business Days after the date when the notice was received (or such later Valuation Date as may be specified in the redemption request). Requests for redemption made to the Manager must be made in writing with the signature guaranteed by a Dealer, Canadian chartered bank, trust company, a member of a recognized stock exchange in Canada or otherwise guaranteed to the satisfaction of the Manager. If Units are registered in the name of an intermediary such as a Dealer, clearing agency or its nominee, redemption orders must be made through such intermediary. Requests for redemption will be accepted in the order in which they are received.

Where the Units which are the subject of the notice of redemption were purchased from a distributor on the FundSERV network, a request for redemption may also be entered on the FundSERV system in the calendar month in which the Redemption Date occurs, and payment of the redemption proceeds will be made using the FundSERV network. Where the Units which are the subject of the notice of redemption were purchased through the Manager, payment of the redemption proceeds will generally be made by cheque, bank draft or wire transfer. Subject to applicable law, redemption proceeds may be made in kind in the Manager’s discretion. The Manager shall within three Business Days following the determination of the Class Net Asset Value per Unit for the applicable Redemption Date distribute an amount equal to the Class Net Asset Value per Unit determined as of the relevant Redemption Date. See “Determination of Net Asset Value”. Any payment referred to above, unless such payment is not honoured, will discharge the Fund, the Trustee, the Manager and their agents from all liability to the redeeming Unitholder in respect of the payment and the Units redeemed. In no event shall the Fund, the Trustee or the Manager be liable to a Unitholder for interest or income on the proceeds of any redemption pending the payment thereof.

If Unitholders submit notices to redeem more than 25% of the Net Asset Value of a Fund in aggregate in any given month then their individual redemptions will be prorated so as to limit the total amount redeemed to 25%.

### Suspension of Redemptions

The Trustee, at the direction of the Manager, may suspend the redemption of Units or a Class of Units, or payments in respect thereof, for any period during which (a) the Trustee is closed for business; (b) normal trading is suspended on any stock exchange, options exchange or futures exchange within or outside Canada on which securities which represent more than 50% of the underlying market exposure of the total assets of the Fund, without allowance for liabilities, are listed and traded.

Any suspension may, at the discretion of the Manager, apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making redemption requests will (unless the suspension lasts for less than 48 hours) be advised by the Manager of the suspension and that redemption requests previously received will be effected as of the first Valuation Date following the termination of the suspension. All such Unitholders will (unless the suspension lasts for less than 48 hours) be advised that they have the right to withdraw any requests for redemption previously submitted.

The suspension will terminate on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized to be imposed then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of a suspension of redemptions made by the Manager is conclusive. The Unitholder will receive payment of redemption proceeds based on the Class Net Asset Value per Unit on the Valuation Date that next follows the termination of the suspension.

## Resale Restrictions

Units are not transferable except by operation of law or with the consent of the Manager. Such consent may be withheld by the Manager at its discretion, and in any case will be withheld if such a transfer is not permitted by applicable laws. There is no formal market for the Units and none is expected to develop. Furthermore, this offering of Units is not qualified by way of prospectus and consequently, the resale of Units will be subject to restrictions under applicable securities legislation. The Fund will be entitled to require and may require, as a condition of allowing any transfer of any Unit, the transferor or transferee, at their expense, to furnish to the Fund evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to the Fund) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto. Unitholders may not be able to resell Units and may only be able to redeem them. Redemptions of Units may be subject to the limitations described under “Redemption of Units” and “Purchase of Units”. Investors are advised to seek legal advice prior to any resale of the Units.

No Unitholder may assign or transfer, or offer to sell, assign, or transfer all or any of its Units to a U.S. Person (as defined in Rule 902 of Regulation S under the U.S. Securities Act, which definition generally includes a natural person resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) without the prior written consent of the Fund (which consent may be withheld for any reason) other than by will or the laws of intestacy and distribution. No U.S. Person transferee of Units will be admitted to the Fund without agreeing to the terms of the Trust Agreement and receiving the consent of the Fund, which consent may be withheld in the Fund’s sole and absolute discretion. No purported transferee shall have any right to any profits, losses or distributions of the Fund. **Any attempt by a Unitholder to make any assignment or transfer in violation of the terms described in this section shall be null and void ab initio and of no legal force or effect whatsoever**

## 5.4 Determination of Net Asset Value

### Valuation Dates

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

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

**The Net Asset Value of a Fund, Class Net Asset Value and Class Net Asset Value per Unit established by the Manager in accordance with the provisions of this Section shall be conclusive and binding on all Unitholders.**

### Valuation Principles

The Manager shall determine and calculate or cause the Administrator to determine and calculate the Net Asset Values, Class Net Asset Values and Class Net Asset Values per Unit on a particular Valuation Date on behalf of the Fund in accordance with generally accepted accounting principles 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 or Administrator determines that any such deposit or call loan is not worth the face amount

thereof, in which event the value thereof shall be deemed to be such value as the Manager or Administrator determines to be the reasonable value thereof;

- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of bid and ask prices on a Valuation Date at such times as the Manager or Administrator, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the closing sale price at the close of business on the Valuation Date or, if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the Net Asset Value of a Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (d) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Manager or Administrator;
- (e) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (f) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (g) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value of a Fund. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- (h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at the Valuation 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;
- (i) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (j) all securities, property and assets of the Fund valued in a foreign currency and all liabilities and obligations of a Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the applicable rate of exchange obtained by the Manager in accordance with the Trust Agreement;
- (k) all expenses or liabilities (including fees payable to the Manager) of a Fund shall be calculated on an accrual basis; and

- (l) the value of any security or property to which, in the opinion of the Manager or Administrator, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in such manner as the Manager or Administrator from time to time provides.

The Net Asset Values of the Fund and each Class is calculated in Canadian dollars. The Net Asset Values of the Fund and each Class are reported in Canadian currency. The Net Asset Values of the Fund and each Class may be reported in such other currencies as the Manager or Administrator may from time to time determine, based on the current end of day rate or rates of exchange, as the case may be, reported by any report in common use.

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

## 5.5 Distributions

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

Each distribution period, the Fund will normally distribute to Unitholders all of the net income of the Fund for such distribution period. The Manager may, however, upon providing written notice of no less than 10 Business Days to the Trustee, direct an amount less than all of the net income of the Fund to be distributed to Unitholders. The distributions of the net income of each distribution period are payable on the distribution date for the period to Unitholders of record on the valuation date immediately prior to that distribution date.

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 or fractions of Units 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 are expected to be paid within 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 the Fund has received, paid, declared payable or allocated to Unitholders as distributions or redemption proceeds.

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

## ITEM 6. CERTAIN INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR INVESTMENT

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

Generally, Units will be considered to be capital property to a holder provided the holder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not

otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units, and all other “Canadian securities” owned or subsequently owned by them, treated as capital property by making an irrevocable election under subsection 39(4) of the Tax Act. Unitholders should consult their own tax advisors as to whether an election under subsection 39(4) of the Tax Act is available or advisable in their circumstances.

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

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

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

**Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their own particular circumstances.**

## **6.1 Taxation of the Fund**

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

The Fund generally intends to account for gains and losses realized on most periodic transactions in derivatives on income account. However, the Fund may report certain share option transactions on capital account. Gains and losses realized on the disposition of shares held in long positions will generally be reported as capital gains and capital losses. Whether gains and losses realized by the Fund are on income or capital account will depend largely on factual considerations. The Fund has elected under subsection 39(4) of the Tax Act such that all gains and losses realized by the Fund on “Canadian securities” will be deemed to be capital gains and losses.

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

To the extent that the Fund invests in one or more Underlying Funds and subsequently disposes of its units of an Underlying Fund, the Fund will be subject to tax in respect of any income, including net taxable capital gains, arising as a result of the disposition of the units of the Underlying Fund in the taxation year in which the disposition occurs.



The Fund intends to make distributions to Unitholders in the amount of any income arising on the disposition of units of Underlying Funds in the year of any such disposition, such that it will generally not be liable for any tax under Part I of the Tax Act as a result of any such disposition.

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

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

The Fund may be subject to the "straddle loss" rules contained in the Tax Act, which generally defer the realization of any loss on the disposition of a "position" to the extent of any unrealized gain on an offsetting "position". For the purposes of these rules, a "position" held by the Fund includes any interest in personal properties such as shares, trust interests, commodities, derivatives, and certain debt obligations. An offsetting "position" is any similar interest that has the effect of eliminating all or substantially all of the Fund's risk of loss and opportunity for gain in respect of the underlying "position".

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

Losses incurred by the Fund cannot be allocated to Unitholders but may be deducted by the Fund in future years in accordance with the Trust Agreement and the Tax Act. In the event the Fund would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will generally be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the Fund during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for the taxation year arising in connection with the transfer of property in kind to redeeming unitholders on the redemption of Units.

All or a portion of any capital gain or income realized by the Fund in connection with a redemption of Units may, at the discretion of the Trustee, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Unitholder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Unitholder (as income or taxable capital gains) and (subject to proposed amendments discussed in the next paragraph) will be deductible by the Fund in computing its income.

A Notice of Ways and Means Motion released by the Minister of Finance (Canada) on July 30, 2019 proposed amendments to the Tax Act that would, effective for taxation years of a Fund beginning on or after March 19, 2019, (a) deny a Fund a deduction for any income of the Fund designated to a Unitholder on a redemption of Unit, where the Unitholder's proceeds of disposition are reduced by the designation, and (b) deny a Fund a deduction for the portion of a capital gain of the Fund designated to a Unitholder on a redemption of Units that is greater than the Unitholder's accrued gain on those Units, where the Unitholder's proceeds of disposition are reduced by the designation. If such proposed amendments to the Tax Act are enacted in their current form, any income or taxable capital gains that would otherwise have been designated to redeeming unitholders may be made payable to the remaining non-redeeming Unitholders to ensure the Fund will not be liable for non-refundable income tax thereon. Accordingly, the amounts of taxable distributions made to Unitholders of a Fund may be greater than they would have been in the absence of such amendments.

## **6.2 Taxation of Unitholders**

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

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

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

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Fund that represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Unitholder of Units of a particular Class, the cost of the newly acquired Units will be averaged with the adjusted cost base to a Unitholder of all Units of the Class owned by the Unitholder as capital property before the acquisition. If the Fund distributes property in kind, a Unitholder's proceeds of disposition would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition. Based on published administrative positions of the CRA, a re-designation of a particular Class of Units of the Fund to another Class of Units of the same Fund denominated in the same currency should not result in a disposition of the Units.

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

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

## **6.3 International Tax Information Reporting**

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the U.S. on February 5, 2014 (the "IGA"), and related Canadian legislation, the Funds and/or registered dealers are required to report certain information with respect to Unitholders

who are U.S. tax residents or U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other “U.S. Persons” as defined under the IGA (excluding registered plans such as RRSPs), to the CRA. The CRA will then exchange the information with the U.S. Internal Revenue Service. In addition, to meet the objectives of the Organization for Economic Co-operation and Development Common Reporting Standard (the “CRS”), the Funds and/or registered dealers are required under Canadian legislation to identify and report to the CRA certain information relating to certain unitholders in the Fund (excluding registered plans such as RRSPs) who are tax residents in a country outside of Canada and the U.S. The CRA is expected to provide that information to the tax authorities of the relevant jurisdiction that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral exchange with Canada under the CRS.

#### **6.4 Eligibility for Investment**

The Fund qualifies as a “mutual fund trust” as defined in the Tax Act and are expected to continue to so qualify effective at all material times. For the purposes of this summary, it is assumed that the Fund will continue to qualify as a “mutual fund trust” at all material times. In the event that the Fund did not qualify as a “mutual fund trust” at all material times, the income tax considerations would in some respects be materially different from those described below.

Provided that the Fund qualifies as a mutual fund trusts as described above, the Units will be “qualified investments” as defined in the Tax Act for tax-deferred plans such as registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered education savings plans (“RESPs”), deferred profit savings plans (“DPSPs”), registered disability savings plans (“RDSPs”) and tax free savings accounts (“TFSA”) (each, a “Registered Plan”).

Notwithstanding the foregoing, if Units are “prohibited investments” for a Registered Plan, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF, or the subscriber of an RESP (each, a “Plan Holder”) will be subject to a penalty tax as set out in the Tax Act.

A “prohibited investment” includes (but is not limited to) a unit of a trust which does not deal at arm’s length (for purposes of the Tax Act) with the Plan Holder, or in which the Plan Holder, either alone or together with persons with whom the Plan Holder does not deal at arm’s length (for purposes of the Tax Act), owns Units that have a value equal to 10% or more of the value of the trust’s outstanding units.

Plan Holders should consult their own tax advisors with respect to whether Units are “prohibited investments” for their TFSAs, RRSPs, RRIFs, RDSPs, or RESPs and the tax consequences of Units being acquired or held by trusts governed by such accounts, plans or funds.

#### **ITEM 7. COMPENSATION PAID TO SELLERS AND FINDERS**

Units will be distributed in the Offering Jurisdiction through Dealers, including the Manager (only in British Columbia), and such other persons as may be permitted by applicable law. In the event of such distribution, Dealers (other than the Manager) will be entitled to the compensation described below.

##### **Sales Commissions**

No selling commissions or fees will be paid by the Fund or Manager in connection with the sale of Units under this Offering Memorandum.

##### **Service Fees**

A service fee will be paid to qualified Dealers and brokers for on-going advice and service provided by the Dealers or brokers to their clients who have invested in a Fund. This service fee is a portion of the Manager’s management fee that is shared with a qualified Dealer or broker. The service fee is payable by the Manager for as long as such broker’s or Dealer’s clients’ investments remain in a Fund. Qualified brokers or Dealers will not charge the investor a commission or fee on the redemption of Units.

Service fees will be calculated and payable by the Manager at least semi-annually to qualified Dealers or brokers for salespersons of the qualified Dealer or broker with client assets invested in a Fund having an aggregate net asset value of not less than \$100,000.

Service fees will be based on the aggregate value of the clients' investments in the Fund at the end of each month equal to 1/12 of 1.00% (1.00% per annum) of the net asset value of the Class A Units and 1/12 of 0.40% (0.40% per annum) of the net asset value of the Class V Units held by the clients on the last Business Day of that month. No service fees are paid for Class F or Class I Units. Service fees may be modified or discontinued by the Manager at any time.

### **Sales Charge Option**

Under the sales charge option for Class A Units (the "Sales Charge Option"), a sales charge is deducted from the amount of the subscription and paid to the investor's Dealer. The remaining amount is divided by the net asset value per Unit for the class of Units subscribed for, as described under "Subscription Procedure", to determine the number of Units purchased. Sales charges are negotiable between investors and their Dealers. The maximum sales charge for the Fund is 2% of the total amount invested. No sales charge applies to additional Units issued through the automatic reinvestment of distributions.

## **ITEM 8. CERTAIN RISK FACTORS**

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

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

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

### **Arbitrage Risk**

Investments may be purchased pursuant to a risk arbitrage strategy in order to take advantage of the difference between the current market values of securities and their anticipated values in the event of a merger, restructuring, acquisition, or other corporate transaction (see "Business of the Fund – Investment Objective, Strategies, Policies and Restrictions"). Securities purchased or sold short pursuant to the Fund's risk arbitrage strategy may not perform as intended, which may result in a loss to the Fund. Additionally, predicted corporate events may not proceed as expected or may fail, which may result in significant losses.

### **Call Risk**

The Fund may invest, directly or indirectly, in callable securities. During periods of falling interest rates, an issuer of a callable security may "call" or repay a security before its stated maturity, which may result in the Fund having to reinvest the proceeds at lower interest rates, resulting in a decline in their respective income.

### **Concentration Risk**

The Fund may concentrate its investments in securities of a small number of issuers, sectors, or countries. A relatively high concentration of assets in a small number of investments may reduce the diversification of the Fund's portfolio. The Fund may be unable to satisfy redemption requests if it cannot sell these investments in a timely and orderly manner. The Fund's performance may be more volatile due to the impact of the changes in value of these investments on the Fund.

Unlike many mutual funds, the Fund is not subject to applicable securities laws that require them to diversify portfolio holdings so that no more than a fixed percentage of their assets are invested in any one industry or group of industries.

## **Credit Risk**

An issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is quite low for most government and high quality corporate securities. Where this risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where this risk is considered to be lower. This risk could increase or decline during the term of the fixed income investment.

Companies and governments that borrow money, as well as their debt securities, may be rated by specialized rating agencies. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Other factors can also influence a debt security's market value, such as the level of liquidity of the security or a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security and the underlying assets, if any. Lower rated debt instruments such as an instrument that has a credit rating below investment grade or may not be rated at all (sometimes referred to as "high yield"), generally offer a better yield than higher-grade debt instruments, but have the potential for substantial loss as compared to higher grade instruments. High yield securities may also be subject to greater levels of credit or default risk and may be traded on markets that are less liquid as compared to higher-quality securities. The value of high yield securities can be adversely affected by overall economic conditions such as an economic downturn or a period of rising interest rates and high yield securities may be less liquid and more difficult to sell at an advantageous time or price, as well as being more difficult to value than higher-rated securities. In particular, high yield securities are often issued by smaller, less creditworthy companies, or by highly leveraged (indebted) firms, which are generally less able than more financially stable firms, to make scheduled payments of interest and principal. High yield securities may also be issued by sovereign governments of countries with less-well developed economies, political systems, and/or financial markets.

The Fund may invest, from time to time, in unsecured debt obligations of small capitalization companies. In the event of a default in the repayment of these obligations, the Fund's investment in such indebtedness may be lost in whole or in part.

## **Fixed Income Investment Risk**

Certain general investment risks can affect fixed income investments in a manner similar to equity investments. For example, specific developments relating to a company and general financial, political and economic (other than interest rate) conditions in the country in which the company operates. For government fixed income investments, general economic, financial and political conditions may affect the value of such securities. Since the Fund's unit price is based on the value of its investments, an overall decline in the value of its fixed income investments will reduce the value of the Fund and therefore, the value of an investment. However, an investment will be worth more if the value of the fixed income investments in the portfolio increases.

Investment in the Fund should be made with an understanding that the value of the debt securities in the Fund's portfolio will be affected by changes in the general level of interest rates. Generally, debt securities will decrease in value when interest rates rise and increase in value when interest rates decline. The value of the bonds held in the Fund's investment portfolio will be affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness.

## **High Yield Securities Risk**

The Fund may invest, directly or indirectly, in high yield securities that are, at the time of purchase, rated below investment grade. High yield securities risk is the risk that securities rated below investment grade by a rating agency and/or determined by the Manager may be more volatile than higher-quality securities of similar maturity. High yield securities may also be subject to greater levels of credit or default risk and may be traded on markets that are less liquid as compared to higher-quality securities. The value of high yield securities can be adversely affected by overall economic conditions such as an economic downturn or a period of rising interest rates, and high yield securities may be less liquid and more difficult to sell at an advantageous time or price, and more difficult to value than higher-rated securities. In particular, high yield securities are often issued by smaller, less creditworthy companies, or by highly leveraged (indebted) firms, which are generally less able than more financially stable firms, to make scheduled

payments of interest and principal. High yield securities may also be issued by sovereign governments of countries with less-well developed economies, political systems, and/or financial markets.

### **Interest Rate Risk**

The Fund may invest, directly or indirectly, in fixed income securities, such as bonds, and money market instruments, and, as a result, is sensitive to changes in interest rates. In general, when interest rates are rising, the value of these investments tends to fall. When rates are falling, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates. Certain types of fixed income securities permit issuers to repay principal before the security's maturity date. There is a risk that an issuer will exercise this prepayment right after interest rates have fallen and the Fund holding these fixed income securities will receive payments of principal before the expected maturity date of the security and may need to reinvest these proceeds in securities that have lower interest rates.

### **Equity Investment Risk**

Companies issue equity securities, or stocks, to help pay for their operations and to finance future growth. Equity securities carry several risks and a number of factors may cause the price of a specific equity security to fall. These include specific developments relating to the company, stock market conditions where the company's securities trade and general economic, financial and political conditions in the countries where the company operates. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of the equity securities it holds will reduce the value of the Fund and, therefore, the value of your investment. However, if the price of the equity securities in a Fund's portfolio increases, your investment will be worth more. Equity funds (such as the Fund) generally tend to be more volatile than fixed income funds, and the value of their units can vary widely. Funds that invest in limited partnership units or trust units, such as oil and gas royalty trusts, real estate investment trusts and income trusts, will have varying degrees of risk depending on the sector and the underlying asset or business and may therefore be susceptible to risks associated with the industry in which the underlying business operates, to changes in business cycles, commodity prices, and to interest rate fluctuations and other economic factors.

### **European Market Exposure**

Investing in European countries may expose the Fund to the economic and political risks associated with Europe in general and the specific European countries in which it invests. The economies and markets of European countries are often closely connected and interdependent, and events in one country in Europe can have an adverse impact on other European countries. The Fund may make direct or indirect investments in securities of issuers that are domiciled in, or have significant operations in, member countries of the European Union. The European Union requires compliance by member countries with restrictions on inflation rates, deficits, interest rates and debt levels, as well as fiscal and monetary controls, each of which may significantly affect every country in Europe, including those countries that are not members of the European Union. Changes in imports or exports, changes in governmental or European Union regulations on trade, changes in the exchange rate of the euro (the common currency of certain European Union countries), the default or threat of default by a European Union member country on its sovereign debt, and/or an economic recession in a European Union member country may have a significant adverse effect on the economies of European Union member countries and their trading partners. The European financial markets have experienced volatility and adverse trends in recent years due to concerns about economic downturns or rising government debt levels in several European countries, including, but not limited to, Greece, Ireland, Italy, Portugal, Spain and Ukraine. These events have adversely affected the exchange rate of the euro and may continue to significantly affect other European countries. Responses to the financial problems by European governments, central banks and others, including austerity measures and reforms, may not produce the desired results, may result in social unrest and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and other entities of their debt could have additional adverse effects on economies, financial markets and asset valuations around the world. In addition, one or more countries may abandon the euro and/or withdraw from the European Union. The impact of these actions, especially if they occur in a disorderly fashion, is not clear but could be significant and far reaching, including in the United Kingdom, which is a significant market in the global economy. In a referendum held on June 23, 2016, the United Kingdom, resolved to leave the European Union. The referendum may introduce significant new uncertainties and instability in the financial markets as the United Kingdom negotiates its exit from the European Union. Finally, the occurrence of terrorist incidents throughout Europe also could impact

financial markets. The impact of these events is not clear but could be significant and far-reaching and adversely affect the value of the Fund. The investments of the Fund could be negatively impacted by any economic or political instability in any European country.

### **Foreign Market Exposure Risk**

The Fund will, at any time, include securities established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to similar Canadian and U.S. issuers, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. issuer. Other risks include the application of foreign tax law, changes in governmental administration or economic or monetary policy, and the effect of local market conditions on the availability of public information. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

### **Foreign Currency Exposure Risk**

Securities included in the Fund may be valued in or have exposure to currencies other than the Canadian dollar and, accordingly, each Class Net Asset Value will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar. However, the Manager may hedge the Canadian dollar exposure to the foreign currency in whole or in part. There can be no assurance that gains or losses on currency hedging transactions will be matched in timing or characterization with losses and gains on the securities valued in foreign currencies in which the Fund invests. The use of currency hedging could result in the Fund incurring losses as a result of the imposition of exchange controls, suspension of settlements, or the inability to deliver or receipt a specified currency.

Hedging against changes in the value of currency does not eliminate fluctuations in the prices of portfolio securities and does not prevent losses if the prices of such securities decline. Hedging may also limit the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for the Fund to enter into transactions which hedge against generally anticipated changes in currencies. The use of currency hedging could result in the Fund incurring losses as a result of the imposition of exchange controls, suspension of settlements, or the inability to deliver or receipt a specified currency.

### **Fund on Fund Risk**

The Fund may invest directly in, or obtain exposure to, other funds (which may also invest directly in, or obtain exposure to, other funds) as part of its investment strategy. Consequently, the Fund is also subject to the risk of the Underlying Funds and any other funds that the Underlying Funds invest in. Therefore, the returns of the Fund will be affected by the risks described herein associated with an investment not only in the Fund, to the extent applicable, but also in the Underlying Funds and any other funds that the Underlying Funds may invest in. All references to the Fund in this section, shall, as the context requires, also be deemed to be references to an applicable Underlying Fund.

If an Underlying Fund suspends redemptions, the Fund may be unable to value part of its portfolio and may be unable to redeem its investment in the Underlying Fund, which may have an adverse impact on the Fund's ability to satisfy redemption requests from its Unitholders.

Several factors may result in the returns of the Fund associated with Underlying Funds not being equal to the Underlying Funds invested in by the Fund, including, but not limited to, the timing of an investor's investment relative to when the Fund is able to purchase units of the Underlying Fund.

### **General Economic and Market Conditions Risk**

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

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

### **Leverage Risk**

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

### **Hedging Risk**

Various hedging techniques may be used in an attempt to reduce certain risks, including hedging options as a means to reduce the risks of both short-selling and taking long positions in certain transactions and hedging currency risks associated with investments denominated in foreign currencies. Recalculations and adjustments to specific position hedges will be performed as market conditions warrant. However, such position hedges entail risks of their own. For example, 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, the Fund's risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return.

### **Derivatives Risk**

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

The use of options entails certain special risks. Call options will not protect the Fund from declines in the value of the underlying security and may limit the Fund's potential to realize a gain on the value of the underlying security. The Fund may also forego potential returns resulting from any price appreciation of the security underlying the option above the exercise price in favour of the certainty of receiving the option premium. Purchasing call options may expose the Fund to losses if the value of the underlying security has decreased compared to the transaction price at which the Fund may purchase the security. Selling put options may expose the Fund to losses if the value of the underlying security has decreased when compared to the transaction price that the Fund must purchase the security. Purchasing put options on securities exposes the Fund to losses if the value of the underlying security has increased in value when compared to the transaction price at which the Fund may sell the security. Options markets could be illiquid in some circumstances and certain over-the counter options could have no markets. There can be no assurance that a market will exist to permit the Fund to realize its profits or limit its losses by closing out certain positions. If the Fund is unable to close out a position, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires or the forward contract terminates, as the case may be. The ability of the Fund to close out a position may be affected by exchange imposed daily trading limits on options. The change in volatility of an option may change the value associated with the option and the proceeds that the Fund may receive from the sale of that option.

### **Risk of Short Sales**

Short sales entail certain risks, including the risk that a short sale of a security may expose the Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by the Fund requires the Fund to borrow securities in



order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by the Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by the Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of the Fund, the Manager may be required to buy or sell short securities at unattractive prices.

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

An investment in the Fund entails a degree of risk and investments in the Fund provide limited liquidity. There is not now, and there is not likely to develop, any market for the resale of the Units. Approval of the transfer by the Manager and satisfaction of certain requirements specified in the Trust Agreement would be required before any transfer may occur.

In addition, the Units are subject to indefinite resale restrictions under applicable securities laws. The Units are offered pursuant to prospectus and registration exemptions and, accordingly may not be transferred unless appropriate exemptions are available.

The Units are subject to limited redemption rights which may be suspended or postponed in certain circumstances. When redemption rights are not suspended or postponed, Unitholders generally may redeem their Units on the last day of each month and the Manager may take up to five business days after month-end to pay out any such redemption.

### **Counterparty Risk**

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

### **Prime Broker Risk**

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

### **Portfolio Turnover Risk**

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

## **Liquidity of Investments Risk**

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

## **SPAC Risk**

The Fund may invest a portion of its assets in the stock, warrants, and other securities of special purpose acquisition companies ("SPACs") or similar special purpose entities that raise funds for the sole purpose of seeking potential acquisition opportunities. All assets (net of operating expenses) of the SPAC are invested in U.S. Government securities, money market fund securities and/or cash until an acquisition is completed. Once the SPAC identifies a transaction, common holders have the right to vote on the transaction and also to decide whether to roll their equity in the transaction or redeem shares for their pro rata share of the escrow account holdings. Should the SPAC be unable to complete an acquisition that meets its defined requirements within a pre-established period of time, the invested funds are returned to the entity's shareholders. SPACs may have specific risks, including increased volatility, associated with the regions or industries for which they pursue an acquisition. Since a SPAC is a new entity created for the purpose of acquiring another company or entity, it may have limited or no business operating history; this makes the pricing and liquidity of the security dependent on management's ability to source and complete a profitable acquisition. Furthermore, these securities may trade in the over-the-counter market which may have associated issues with price sourcing and illiquidity.

## **Class Risk**

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

## **Performance Fee to the Manager Risk**

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

## **Cyber Security Risk**

With the increased use of technology in the course of business, the Fund is susceptible to operational, information security and related risks. Generally, cyber security incidents can result from deliberate attacks or unintentional events that threaten the integrity, confidentiality or availability of the Fund's information resources. A cyber security incident includes, but is not limited to, gaining unauthorized access to the Fund's electronic systems (e.g., through hacking or malicious software) to corrupt data, disrupt business operations or steal confidential or sensitive information, or may involve denial of service attacks which may cause system failures and disrupt business operations. Failures or breaches of the electronic systems of the Fund, the Manager, other service providers (e.g., transfer agent, custodian, sub-custodians and prime brokers) or the issuers of securities in which the Fund invests have the ability to cause disruptions and negatively impact the Fund's business operations. These disruptions could potentially result in financial losses,

interference with the Fund's ability to calculate their net asset values, impediments to trading, inability of the Fund to process transactions including redeeming units, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or compensation or additional compliance costs associated with corrective measures. Similar adverse consequences could result from cyber security incidents affecting the issuers of securities in which the Fund invests and counterparties with which the Fund engages in transactions. In addition, substantial costs may be incurred to prevent any cyber security incidents in the future. While the Fund has established business continuity plans and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems and there is no guarantee that such efforts will succeed. Furthermore, the Fund cannot control the cyber security plans and systems of the Fund's service providers or issuers of securities in which the Fund invests.

### **Cease Trading of Securities Risk**

If the securities held directly or indirectly by the Fund are cease-traded by order of a securities regulatory authority or halted from trading by the relevant exchanges, the Fund may halt trading in its Units or temporarily suspend the right to redeem the Units for cash, subject to applicable regulatory approval.

### **Early Termination Risk**

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

### **Large Transaction Risk**

If a Unitholder has significant holdings in the Fund, the Fund is subject to the risk that such large Unitholder may request a significant purchase or redemption of Units, which may impact the cash flow of the Fund. Substantial purchases and redemptions by Unitholders within a short period of time could require the Manager to arrange for the Fund's positions to be acquired or liquidated more rapidly than would otherwise be desirable, which could adversely affect the value of the remaining Units. Large purchases and redemptions may result in: (a) the Fund maintaining an abnormally high cash balance; (b) large sales of portfolio securities impacting market value; (c) increased transaction costs (e.g., commissions); (d) significant changes to the composition of the Fund's portfolio; (e) purchase and/or sale of investments at unfavourable prices; and/or (f) capital gains being realized which may increase taxable distributions to Unitholders. If this should occur, the returns of Unitholders that invest in the Fund may be adversely affected. In addition, regardless of the period of time in which redemptions occur, the resulting reduction in the Fund's assets could make it more difficult to generate a positive rate of return or recoup losses due to a reduced equity base.

### **Conflicts of Interest Risk**

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

Investment in the Fund will not carry with it the right of the Fund or of any Unitholder to invest in any other venture of the Manager or its affiliates or associates or to any profit therefrom or to any interest therein. The Manager may have a conflict of interest in carrying out its obligations to the Fund as a result of its involvement in competing activities.

## **Liability of Unitholders Risk**

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

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

## **Taxation of the Fund Risk**

If the Fund fails or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Certain Income Tax Consequences and Eligibility for Investment" would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. If the Fund ceases to qualify as a "mutual fund trust", the Units will cease to be qualified investments for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSAs under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

## **Trust Loss Restriction Rule Risk**

The Fund may be subject to loss restriction rules contained in the Tax Act (the "Loss Restriction Rules"). If the Fund experiences a "loss restriction event" (i) the Fund will be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund's net income and net realized capital gains at such time to Unitholders so that the Fund is not liable for income tax on such amounts), and (ii) the Fund will be deemed to realize any unrealized capital losses and its ability to carry forward losses will be restricted.

Generally, the Fund will have a loss restriction event when a person becomes a "majority-interest beneficiary" of the Fund or a group of persons becomes a "majority-interest group of beneficiaries" of the Fund, as those terms are defined in the Loss Restriction Rules. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund. Generally, a person is deemed not to become a majority-interest beneficiary, and a group of persons is deemed not to become a majority-interest group of beneficiaries, of the Fund if the Fund meets certain investment requirements and qualifies as an "investment fund".

## **US Regulation and Tax Risk**

The offering and sale of the Units has not been registered under the U.S. Securities Act or any similar United States state law, in reliance upon various exemptions therefrom. In addition, the Fund is not registered under the United States Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"). Accordingly, Unitholders will not have the benefits afforded generally by the provisions of the U.S. Investment Company Act (which, among other matters, require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company). The Manager is exempt from registration with the United States Securities

and Exchange Commission pursuant to the United States Investment Advisers Act of 1940, as amended, and is not subject to the recordkeeping and other requirements thereunder.

An investment in the Fund by a person subject to taxation under the United States Internal Revenue Code of 1986, as amended, may have United States tax consequences not discussed in the summary of “Certain Canadian Federal Income Tax Considerations” contained herein. Such taxpayers should consult their tax advisors about the income tax consequences of acquiring or holding Units.

### **Securities Regulatory Risk**

The investment decisions for the Fund may, at times, be restricted as a result of aggregation limits. For example, corporate and/or regulatory requirements with respect to certain industries and markets may limit the aggregate amount of investment in certain issuers by the Fund and other funds or client accounts managed by Picton Mahoney. Exceeding these limits without reporting or the grant of a license, exemption or other corporate or regulatory consent may result in fines or other adverse consequences to the Manager and/or the Fund. As a consequence of these limits, the ability of the Fund to meet its investment objectives may be affected. In order to avoid exceeding these limits, the Manager may, among other actions, limit purchases, sell existing investments and/or transfer, outsource or limit voting rights in the securities held by the Fund.

### **Change in Legislation Risk**

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

### **Lack of Separate Counsel**

Counsel for the Fund in connection with this offering is also counsel to the Manager. The Unitholders, as a group, have not been represented by separate counsel and counsel for the Fund and the Manager does not purport to have acted for the Unitholders or to have conducted any investigation or review on their behalf.

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

## **ITEM 9. INVESTMENT RISK RATING OF THE FUND**

The methodology used to determine the investment risk level of the Fund for purposes of disclosure in this Offering Memorandum is the historical volatility risk as measured by the standard deviation of fund performance, which is the standard methodology outlined in Appendix F – *Investment Risk Classification Methodology* to National Instrument 81-102 *Investment Funds*.

The investment risk level for a fund with at least 10 years of performance history will be based on such fund’s historical volatility, as measured by its 10-year standard deviation of performance. The investment risk level for a fund with less than 10 years of performance history will be based on the historical volatility of a reference index that reasonably approximates such fund’s historical performance, as measured by the reference index’s 10-year standard deviation of performance.

However, the Manager recognizes that other types of risk, both measurable and non-measurable, may exist and we remind you that the historical performance of a fund (or a reference index used as its proxy) may not be indicative of future returns and that the historical volatility of such fund (or a reference index used as its proxy) may not be indicative of its future volatility.

The risk rating categories of this methodology are:

**Low (standard deviation range of 0 to less than 6)** – for funds with a level of risk that is typically associated with investments in Canadian fixed-income funds and in money market funds;

**Low to Medium (standard deviation range of 6 to less than 11)** – for funds with a level of risk that is typically associated with investments in balanced funds and global and/or corporate fixed-income funds;

**Medium (standard deviation range of 11 to less than 16)** – for funds with a level of risk that is typically associated with investments in equity portfolios that are diversified among a number of large-capitalization Canadian and/ or international equity securities;

**Medium to High (standard deviation range of 16 to less than 20)** – for funds with a level of risk that is typically associated with investments in equity funds that may concentrate their investments in specific regions or in specific sectors of the economy; and

**High (standard deviation range of 20 or greater)** – for funds with a level of risk that is typically associated with investment in equity portfolios that may concentrate their investments in specific regions or in specific sectors of the economy where there is a substantial risk of loss (e.g., emerging markets, precious metals).

The investment risk level of the Fund is reviewed periodically.

Additionally, just as historical performance may not be indicative of future returns, the historical volatility of the Fund may not be indicative of its future volatility.

The core merger arbitrage strategy utilized by the Fund’s Manager has a history of producing returns with low volatility. The Manager has selected the Hedge Fund Research (HFRI) Merger Arbitrage Index as the reference index for this fund because it represents a large basket of funds deploying similar merger arbitrage strategies. As at December 31, 2019, the 10-year standard deviation based on monthly returns for the HRFI Merger Arbitrage Index is 2.21%. The Manager has also considered qualitative factors such as the Fund’s ability to short securities, use derivatives and use leverage up to the applicable limits. In accordance with the methodology described above including consideration of these qualitative factors, the Manager has rated the investment risk of the Fund as “Medium”.

## **ITEM 10. REPORTING OBLIGATIONS**

### **Reporting to Unitholders**

The fiscal year-end of the Fund is December 31st. Unitholders will be sent audited annual financial statements within 90 days of the Fund’s fiscal year-end and unaudited semi-annual financial statements within 60 days of June 30th, or as otherwise required by law. Additional interim reporting to Unitholders will be at the discretion of the Manager. The Fund may enter into other agreements with certain Unitholders which may entitle such Unitholders to receive additional reporting. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings. The Fund is relying on the exemption pursuant to section 2.11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, not to file its financial statements with the Ontario Securities Commission.

## **ITEM 11. AUDITORS**

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

## **ITEM 12. ADMINISTRATOR, RECORD KEEPER, TRANSFER AGENT AND REGISTRAR**

CIBC Mellon Global Securities Services Company (“The Administrator”) acts as the recordkeeper and fund administrator of the Fund pursuant to a fund administration services agreement dated January 13, 2020 among the Fund, the Manager and the Administrator.

## **ITEM 13. PRIME BROKER AND CUSTODIAN**

### **13.1 Prime Brokers**

TD Securities Inc. (“TDSI”) or such other party as the Manager may retain, acts as the prime broker of the Fund (the “Prime Broker”) pursuant to an amended and restated institutional prime brokerage account agreement made as of January 13, 2020, between the Fund and TDSI.

The Prime Broker does not have any responsibility for the preparation or accuracy of this Offering Memorandum.

### **13.2 Custodial Arrangements**

CIBC Mellon Trust Company acts as the custodian of the Fund’s assets (in such capacity, the “Custodian”) pursuant to a custodial services agreement made as of January 13, 2020 between the Manager and the Custodian. The Manager will not hold custody of the assets of the Fund.

The assets of the Fund are also held in the custody of the Fund’s prime broker (See “Prime Broker” above) in Toronto, Ontario. Each of the Custodian and the Prime Broker is a “qualified custodian” under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registration Exemptions*.

The Manager has entered into a prime brokerage agreement or custodial services agreement with each party holding assets of the Fund that contains provisions governing the relationship between the parties, such as where the assets of the Fund will be held, the manner in which the Fund’s assets will be held, the standard of care of each party, the responsibility for loss of the Fund’s assets and the appointment of sub-custodians, where applicable.

In selecting the parties to act as the prime broker and the custodian of the Fund’s assets, the Manager considered such factors as: (i) ease of execution and speed of access to the markets on which the assets of the Fund are traded; (ii) the size, financial stability and strength of the Prime Broker and Custodian; and (iv) the laws and regulations to which the Prime Broker and Custodian are subject in their principal jurisdictions.

Although the Manager believes that the selection of a large, financially sound and regulated prime broker and custodian to hold assets of the Fund substantially reduces the risk of loss or misappropriation of the Fund’s assets is in the best interests of the Fund, the assets of the Fund could nevertheless potentially be at risk of loss in the event of (i) the insolvency of the prime broker or the custodian or (ii) an error or negligence on the part of the prime broker or custodian resulting in a loss to the Fund which is not reimbursable to the Fund under the terms of the applicable prime brokerage agreement or custodial services agreement.

The Manager monitors its custodial arrangements with the Prime Broker of the Fund and Custodian of the Fund and may in the future appoint additional or different prime brokers and/or custodians if the Manager feels this is in the best interests of the Fund and will further reduce the risk of loss or misappropriation of the assets of the Fund.

## **ITEM 14. RESALE RESTRICTIONS**

### **14.1 General Statement**

The Units are not transferable except by operation of law or with the consent of the Manager. Such consent may be withheld by the Manager at its discretion, and in any case will be withheld if such a transfer is not permitted by applicable laws. There is no formal market for the Units and none is expected to develop. Furthermore, this offering of Units is not qualified by way of prospectus and consequently, the resale of Units will be subject to restrictions under applicable securities legislation. The Fund will be entitled to require and may require, as a condition of allowing any transfer of any Unit, the transferor or transferee, at their expense, to furnish to the Fund evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to the Fund) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto. Unitholders may not be able to resell Units and may only be able to redeem them. Redemptions of Units may be subject to the limitations described under “Redemption of Units” and “Purchase of Units”. Investors are advised to seek legal advice prior to any resale of the Units.

No Unitholder may assign or transfer, or offer to sell, assign, or transfer all or any of its Units to a U.S. Person (as defined in Rule 902 of Regulation S under the U.S. Securities Act, which definition generally includes a natural person resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) without the prior written consent of the Fund (which consent may be withheld for any reason) other than by will or the laws of intestacy and distribution. No U.S. Person transferee of Units will be admitted to the Fund without agreeing to the terms of the Trust Agreement and receiving the consent of the Fund, which consent may be withheld in the Fund's sole and absolute discretion. No purported transferee shall have any right to any profits, losses or distributions of the Fund. **Any attempt by a Unitholder to make any assignment or transfer in violation of the terms described in this section shall be null and void ab initio and of no legal force or effect whatsoever.**

#### **14.2 Restricted Period**

Unless permitted under securities legislation, you cannot trade your Units before the earlier of the date that is four (4) months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada.

#### **ITEM 15. LEGAL COUNSEL**

Osler, Hoskin & Harcourt LLP, or such other party as the Manager may retain, will act as the legal counsel of the Fund.

#### **ITEM 16. PURCHASER'S RIGHTS**

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

1. **Two Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Manager by midnight on the 2nd Business Day after you sign the agreement to buy the securities.

#### **2. Statutory and Contractual Rights of Action in the Event of a Misrepresentation**

The following summaries of statutory or contractual rights of action for damages or rescission will apply to a purchase of Units. The applicable securities legislation in certain jurisdictions provides purchasers, or requires purchasers be provided, with remedies for rescission or damages, or both, if this Offering Memorandum or any amendment to it contains a misrepresentation. However, these remedies must be exercised within the time limits prescribed. Purchasers should refer to the applicable legislative provisions, which may be subject to change after the date of this Offering Memorandum, for the complete text of these rights and/or consult with a legal advisor.

In this section "misrepresentation" means: (i) an untrue statement of material fact, or (ii) 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.

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

The rights of action to cancel the agreement or for damages described herein are in addition to and without derogation from any right you may have at law are subject to the express provisions of securities legislation in the province where you resided and the rules, regulations and other instruments thereunder. The following additional provisions apply to statutory or contractual rights of action for damages or rescission will apply to a purchase of Units by purchasers in the provinces listed below:

#### **British Columbia**

If there is a misrepresentation in this Offering Memorandum you have a statutory right to sue:



- (a) the Fund to cancel your agreement to buy these Units; or
- (b) for damages against the Fund and every person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you recover will not exceed the price you paid for your Units and will not include any part of the damages the Fund proves does not represent the depreciation in value of the Units resulting from the misrepresentation. The Fund has a defence if it proves you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after you signed the agreement to purchase the Units. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years the date of the transaction that gave rise to the cause of action.

#### **ITEM 17. FINANCIAL STATEMENTS**

The audited annual Financial Statements for the period ended December 31, 2018 and the interim financial statements for the period ended June 30, 2019 are attached hereto and form part hereof.

**ITEM 18. DATE AND CERTIFICATE**

Dated January 31, 2020.

**This offering memorandum does not contain a misrepresentation.**

**PICTON MAHONEY ARBITRAGE PLUS FUND,**  
by its Manager and Promoter,  
**PICTON MAHONEY ASSET MANAGEMENT**

By: "David Picton"  
David Picton  
President (acting in the capacity  
of Chief Executive Officer)

By: "Arthur Galloway"  
Arthur Galloway  
Chief Financial Officer

**ITEM 19.**

**APPENDIX A**

**DIRECTORY**

**ISSUER**

Picton Mahoney Arbitrage Fund  
33 Yonge Street, Suite 830  
Toronto, Ontario  
M5E 1G4

**MANAGER**

Picton Mahoney Asset Management  
33 Yonge Street, Suite 830  
Toronto, Ontario  
M5E 1G4

**PRIME BROKER**

TD Securities Inc.  
Ernst & Young Tower, 7th Floor  
222 Bay Street  
Toronto, Ontario M5K 1A2

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

**AUDITORS**

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PwC Tower  
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Toronto, Ontario  
M5J 0B2

**FUND ADMINISTRATOR**

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Services Company  
1 York Street, Suite 900  
Toronto, ON M5J 0B6

**TRUSTEE**

c/o CIBC Mellon Global Securities  
Services Company,  
1 York Street, Suite 900  
Toronto, Ontario M5J 0B6

**LAWYERS**

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