

**LONG RESERVE LIFE
RESOURCE FUND**

ANNUAL INFORMATION FORM

MARCH 31, 2010

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Unless otherwise indicated, the information set out in this annual information form is current to the date hereof.

1. THE TRUST

a. Name and Formation of the Trust

Long Reserve Life Resource Fund (the “Trust” or the “Fund”) is an investment trust established under the laws of Ontario pursuant to a declaration of trust dated as of May 18, 2006 as amended and restated on June 21, 2007 (the “Declaration of Trust”) by Fairway Advisors Inc., the then manager and trustee of the Trust, as trustee of the Trust. Effective September 1, 2007, Fairway Advisors Inc. amalgamated with its affiliate, JovFunds Management Inc. (“JovFunds”, the “Manager” or the “Trustee”).

On August 7, 2009 JovFunds transferred the responsibility for providing all administrative services, as the manager for the Trust to Lawrence Asset Management Inc. (“LAMI”). LAMI continued its role as the portfolio manager of the Trust. Effective January 1, 2010, the Manager and Trustee, Lawrence Asset Management Inc. effected an amalgamation of businesses and operations with Navina Capital Corp. The combined entity is named Navina Asset Management Inc. (“NAMI”).

The principal place of business of the Trust and the registered office of the Manager is 220 Bay Street, Suite 1500, Toronto, Ontario. M5J 2W4

As of June 21, 2007, the Declaration of Trust was amended and restated to: (a) permit the issue of securities at a price per security that is less than the net asset value per security at such time; (b) granting the Manager the authority to convert the Fund to an open-ended mutual fund if the Fund’s units trade at a discount to net asset value (“NAV”) over a specified time period; (c) permit unitholders to switch to other investment vehicles administered, managed, sponsored or promoted by the Manager of the Fund or an affiliate of the Manager and offered to the public by prospectus, by adding a further redemption right at 100% of the net asset value per unit; (d) permit the management fees to be paid in either units or cash and, if in units, to a total maximum amount of 100,000 units, at the Manager’s discretion; and (e) remove or amend certain investment restrictions which no longer apply due to changes in applicable tax legislation. As of March 31, 2009, the Declaration of Trust was amended to permit the appointment of a new trustee that is an affiliate of the Trustee without further unitholder approval.

Recent Amendments

At an adjourned special meeting of unitholders held on October 31, 2008, unitholders of the Trust passed resolutions authorizing:

- (a) the amendment of the Declaration of Trust to permit the appointment of a new trustee that is an affiliate of the Trustee without further unitholder approval;
- (b) the trustee, in the event the Trust is converted into an open-ended mutual fund (the “Converted Fund”) to:
 - (i) increase the annual management fee to an amount equal to 2.5% of the net asset value of the Series A units of the Converted Fund and 1.5% of the net asset value

of the Series F units of the Converted Fund calculated and payable monthly in arrears plus applicable taxes;

- (ii) add a performance fee equal to 20% of the amount by which the Converted Fund outperforms its benchmark (the “Benchmark”). The Benchmark for the Converted Fund will be calculated as follows:
 - (A) 25% of the percentage gain or loss of the S&P/TSX Capped Gold Index;
 - (B) 25% of the percentage gain or loss of the S&P/TSX Diversified Metals & Mining Index;
 - (C) 25% of the percentage gain or loss of the S&P/TSX Diversified Energy Index; and
 - (D) 25% of the percentage gain or loss of the S&P/TSX Composite Total Return Index;
- (iii) permit the trustee of the Converted Fund to decide in its discretion:
 - (A) to divide the units of the Converted Fund into one or more series of units;
 - (B) to establish the attributes that shall be attached to each such series; and
 - (C) whether any series should be re-designated as another series of units;
- (iv) amend the definition of “Resource Issuer” to include issuers in the agribusiness sector;
- (v) amend the investment strategy to provide for the periodic establishment of the sector weightings at the discretion of the Portfolio Manager based on its expectations for commodity pricing and reposition the Converted Fund’s portfolio holdings accordingly, while maintaining a well-diversified portfolio by sector and issuer;
- (vi) amend the investment restrictions and permitted investments to:
 - (A) eliminate the permitted ranges for each commodity sector;
 - (B) decrease the market capitalization requirement for Resource Issuers from \$500 million to \$150 million; and
 - (C) permit short-selling with the following limits and conditions:
 - (1) the securities sold short will be liquid securities that are traded on a stock exchange;
 - (2) the aggregate market value of all securities of any single issuer sold short will not exceed 5% of the total net assets of the Converted Fund;

- (3) the aggregate market value of all securities sold short by the Converted Fund will not exceed 20% of the total net assets of the Converted Fund on a daily marked-to-market basis; and
 - (4) the Converted Fund will hold “cash cover” as that term is defined in National Instrument 81-102 *Mutual Funds* (“NI 81-102”) in an amount that is at least 150% of the aggregate market value of all securities sold short by the Converted Fund on a daily marked-to-market basis;
 - (D) permit investment in debt securities, convertible securities and other equity-related securities of Resource Issuers; and
- (vii) permit the trustee to be replaced with an affiliate of the trustee without requiring the replacement trustee to be elected by a majority of votes cast at a special meeting of unitholders called by the trustee for that purpose.

Pursuant to the Declaration of Trust, the Trustee may, without any action or consent by the unitholders, convert the Trust to an open-ended mutual fund, if, for a period of ten (10) consecutive trading days, the daily weighted average trading price (or, in the event there has been no trading on a particular day, the average of the closing bid and ask prices) of the Trust’s Units is greater than a 2% discount to the net asset value per unit for that day. Pursuant to the conversion to an open-ended mutual fund, the unitholders of the Trust will receive Series A units of the Converted Fund.

b. General Development of the Business

The Trust closed its initial public offering on May 31, 2006 with the issuance of 2,000,000 redeemable, transferable units of the Trust (the “Units”) at \$10.00 per Unit for gross proceeds of \$20,000,000. (the “Offering”).

c. Market for Securities

The Units are listed on the Toronto Stock Exchange and trade under the symbol “LRF.UN”.

2. NARRATIVE DESCRIPTION OF THE BUSINESS

a. Description of the Trust Units

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of redeemable, transferable Units of one class. Each Unit represents an equal, undivided interest in the net assets of the Trust. Each holder of Units (“Unitholder”) is entitled to the same rights and obligations as a Unitholder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder is entitled to participate equally with respect to any and all distributions made by the Trust and is entitled to one vote for each Unit held. Notwithstanding the foregoing, the Manager, in respect of any Units which may be held by it from time to time, insiders of the Trust (as such expression is defined in the Securities Act (Ontario), affiliates of the Manager, and any director or officer of such persons who hold Units are not entitled to vote on any extraordinary resolutions to be adopted by the Unitholders. On termination, all Unitholders of record holding outstanding Units are entitled to receive their pro rata share of any assets of the Trust remaining after payment of all debts,

liabilities and liquidation or termination expenses of the Trust. A book-entry only certificate representing the Units was issued in registered form to a nominee of The Canadian Depository for Securities Ltd. (“CDS”) on its behalf. Any purchase or transfer of Units must be made through CDS Participants, which includes securities brokers and dealers, banks and trust companies.

b. Status of the Trust

The Trust is not considered to be a “mutual fund” under the securities legislation of the provinces and territories of Canada. Consequently, the Trust is not subject to the various policies and regulations that apply to mutual funds under such legislation. However, the Trust is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 Investment Fund Continuous Disclosure (“NI 81-106”), which governs the continuous disclosure obligations of investment funds, such as the Trust.

In the event the Trust is converted into the Converted Fund (as discussed under *Recent Amendments* on page 3) the Converted Fund will be a “mutual fund” under the securities legislation of the provinces and territories of Canada and will be subject to the various policies and regulations that apply to mutual funds under such legislation including NI 81-102. Please also see *Converted Fund* on page 14.

Provided that the Trust continues to qualify, as it has throughout the period ending December 31, 2009, as a “mutual fund trust” for the purposes of the Income Tax Act (Canada) (the “Tax Act”), Units of the Trust will continue to be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans. The Fund is not a “Registered Investment” within the meaning of the Tax Act.

c. Investment Objectives and Strategy of the Trust

The Investment Objectives of the Trust are to provide Unitholders with (i) long-term capital appreciation and (ii) monthly distributions targeted to be \$0.04167 per Unit (\$0.50 per annum representing an annual yield of 5.0% based on the \$10.00 per Unit issue price).

In the event the Trust is converted into the Converted Fund (as discussed under *Recent Amendments* on page 3) the investment objectives and strategies of the Trust will change. Please also see *Converted Fund* on page 144.

In order to achieve its investment objectives, the Trust invested its net proceeds, together with any borrowings under the Loan Facility (as described below) in a broadly diversified portfolio (the “Portfolio”) of securities in multiple commodity sectors, consisting primarily of Common Shares and derivatives.

d. Investment Restrictions of the Trust

The investment activities of the Fund are to be conducted in accordance with the following investment restrictions:

- (i) **Concentration.** The Portfolio Manager will not purchase securities of any issuer if after such purchase more than 10% of the value of the Fund’s total assets would consist of securities issued by such issuer.

- (ii) **Cash and Cash Equivalents.** Not more than 25% of the value of the Fund's total assets will be invested in cash and Cash Equivalents.
- (iii) **Control.** The Portfolio Manager will not purchase securities of any issuer if after such purchase the Fund would hold more than 10% of the outstanding voting securities or equity securities of that issuer and will not invest for the purpose of exercising control over management of any issuer.
- (iv) **Purchasing Securities.** The Portfolio Manager will not purchase securities other than through normal market facilities unless the purchase price therefor approximates the prevailing market price or is negotiated or established on an arm's length basis.
- (v) **Leverage.** The Fund will not borrow money or use other forms of leverage except that the Fund may borrow in an aggregate amount of up to 25% of the value of the Fund's total assets at the time the borrowing or other transaction is entered into. See "Loan Facility" below.
- (vi) **Commodities.** The Portfolio Manager will not purchase or sell commodities or commodity contracts for the Fund, except that the Portfolio Manager may purchase and sell financial futures contracts and related options.
- (vii) **Securities Lending.** The Fund will not lend Portfolio Securities except as permitted by NI 81-102 (as if the Fund were subject to NI 81-102).
- (viii) **Controlled Foreign Affiliates.** The Fund will not invest in any securities of an entity that would be a controlled foreign affiliate of the Fund for purposes of the Tax Act.
- (ix) **No Guarantee.** The Fund will not make loans or guarantee securities or obligations of another person or company, except that the Fund may purchase and hold debt obligations in accordance with the Investment Guidelines.
- (x) **Foreign Investment Entities.** The Fund will not acquire any interest in a non-resident trust that is not an "exempt foreign trust" or invest in the securities of any non-resident corporation, trust or other non-resident entity if the Fund would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amount in income pursuant to proposed section 94.1 or 94.3 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities and non-resident trusts released on July 18, 2005 (or amendments to such proposals or provisions as enacted into law or successor provisions thereto).
- (xi) **Illiquid Securities.** Not more than 10% of the value of the Fund's total assets (determined at the time of purchase) will be invested in "illiquid securities". The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which the securities are valued for the Fund.
- (xii) **Real Estate.** The Portfolio Manager will not purchase real estate or real estate mortgage loans or securities issued by issuers that invest in real estate.

- (xiii) **Mutual Funds.** The Fund will not purchase securities of any mutual fund other than Income Trusts.
- (xiv) **No Underwriting.** The Fund will not act as an underwriter of securities of other issuers, except to the extent that in connection with the disposition of portfolio securities it is deemed to be an underwriter.
- (xv) **Tax Shelter Investment.** The Fund shall not make or retain any investment that is a “tax shelter investment” for purposes of section 143.2 of the Tax Act.
- (xvi) **Derivatives Transactions.** The Fund shall comply with Sections 2.7, 2.8 and 2.9 of NI 81-102 in connection with transactions in derivatives instruments as if NI 81-102 applied to the Fund.
- (xvii) **No Short Sales.** The Fund will not sell securities short.

If a percentage restriction on investment or use of assets or borrowing set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or total assets of the Fund will not be considered a violation of the investment restrictions. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in adherence to the restriction.

In addition to the foregoing investment restrictions, throughout the life of the Fund, it will not make or hold any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act under the then current definition of “unit trust” or “mutual fund trust” (or under any proposed amendments to such definitions that would have retroactive effect).

Other than as noted below, the foregoing Investment Restrictions may not be changed without the approval of the Unitholders, by an Extraordinary Resolution at a meeting of Unitholders called for such purpose, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time.

During the period ended December 31, 2009 the Trust has not deviated from the rules under the Tax Act that apply to the status of the Units qualifying for inclusion in registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans registered under the Tax Act.

The foregoing sections “Investment Objectives and Strategy of the Trust” and “Investment Restrictions of the Trust” are referred to collectively herein as the Trust’s “Investment Guidelines”. The Investment Guidelines of the Trust cannot be changed without the prior approval of Unitholders by a resolution passed by 66⅔% of the votes cast at a meeting called for such purpose (an “Extraordinary Resolution”).

In the event the Trust is converted into the Converted Fund (as discussed under *Recent Amendments* on page 3) the Investment Guidelines of the Trust will change. Please also see *Converted Fund* on page 14.

e. Distributions

The Trust endeavours to provide Unitholders with monthly distributions. Distributions are made to Unitholders of record on or about the last Business Day (any day on which the Toronto Stock Exchange is open for trading is hereinafter referred to as a “Business Day”) of each month (“Record Date”). Distributions by the Trust are paid within fifteen days after the Record Date. The amount of monthly distributions may fluctuate from month to month and there can be no assurance that the Trust will make any distribution in any particular month or months.

The Trust intends, in accordance with the Fund’s investment objective, to provide Unitholders of record with monthly distributions, on or about the last Business Day of each month equal to approximately \$0.04167 per Unit (\$0.50 per annum representing an annual yield of 5.0% based on the \$10.00 per Unit issue price). The Fund may make additional distributions in any given year.

The Portfolio is expected to generate distribution and dividend income of approximately 3.0% per Unit per annum, which, after deduction of expenses, will be distributed by the Fund to Unitholders. The balance of the initial targeted monthly distributions is expected to be funded through sales of securities in the Portfolio or other returns, including premiums earned from writing covered call options on Portfolio securities, if any. The Portfolio would be required to appreciate at a rate of approximately 3.8% per annum in order for the Fund to maintain a stable NAV while making the monthly cash distributions. Therefore, it is expected that distributions to Unitholders will be characterized as capital gains, dividends and returns of capital. If the return on the Portfolio is less than the amount necessary to fund the monthly distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure that the distribution is paid and, accordingly, NAV per Unit will be reduced.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Payment Date. The distributions received by the Fund from securities held in the Portfolio may vary from month to month and certain of the issuers of securities in the Portfolio may pay distributions less frequently than monthly. Thus the cash available for distribution to Unitholders may vary substantially. If the cash available for distribution is consistently higher or lower than the targeted distribution, then the Manager may re-evaluate the Fund’s targeted distribution.

The Fund intends that the aggregate distributions of net income and net capital gains made in each year will be sufficient to ensure that the Fund will not be liable for income tax thereon under the Tax Act, except to the extent that any tax payable on net realized capital gains of the Fund for a year that are retained by the Fund would be recoverable by it in such year.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, the Fund intends to make, on or before December 31 of that year, a special distribution (which may be satisfied by cash payment or the issuance of Units) of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for non-recoverable income tax thereon under the Tax Act. Immediately following such distribution of Units, the number of Units will automatically be consolidated such that the number of Units outstanding after such distribution will be equal in number to the number of Units outstanding immediately prior to the distribution. Any such distribution and consolidation will increase the aggregate adjusted cost base of Units to Unitholders. The Fund may make additional distributions at any time provided certain conditions are met.

f. Distribution Reinvestment Plan

The Trust has adopted a distribution reinvestment plan (the “DRIP”) so that all distributions shall be automatically reinvested on each Unitholder’s behalf, at the election of each such Unitholder, pursuant to the DRIP. Notwithstanding the DRIP, all distributions to non-resident Unitholders will be paid in cash and will not be reinvested.

Distributions due to DRIP Participants holding Units will be applied, on behalf of DRIP Participants, to purchase Units (“Plan Units”) directly from the Fund or in the market as follows:

- If the weighted average trading price of Units on the TSX for the 10 business days immediately preceding the relevant distribution payment date, plus applicable commissions and brokerage charges on a per Unit basis (the “Market Price”) is less than the NAV per Unit as of the distribution payment date, Units will be purchased in the market during the five business day period following such distribution payment date on any business day when the Market Price is less than the NAV per Unit as at the relevant distribution payment date. Units will be issued by the Fund from treasury unless a minimum amount of \$25,000 is available for purchase of Plan Units in the market.
- No later than the sixth business day after the relevant distribution payment date, the unused part, if any, of the distributions attributable to the DRIP Participants will be used to purchase Plan Units from the Fund at a purchase price equal to the higher of: (i) the NAV per Unit on the relevant distribution payment date; and (ii) 95% of the Market Price.
- If the Market Price on the relevant distribution payment date is equal to or greater than the NAV per Unit on such distribution payment date, distributions attributable to the DRIP Participants will be used to purchase Plan Units from the Fund through the issue of new Units at the higher of: (i) the NAV per Unit on the relevant distribution payment date; and (ii) 95% of the Market Price on the relevant distribution payment date.
- Plan Units purchased from the Fund’s treasury or in the market will be allocated *pro rata* based on the number of Units held by DRIP Participants. Plan Units will be credited for the benefit of DRIP Participants to the account of the CDS Participant through whom that DRIP Participant holds Units.
- No fractional Plan Units will be issued under the Plan. Any remaining uninvested funds in lieu of fractional Plan Units will be credited to DRIP Participants via their CDS Participant.

DRIP Participants shall receive a report of the Units purchased for the DRIP Participant’s account in respect of each distribution and the cumulative total of all Units purchased for that account from the applicable CDS Participant in accordance with the practices and procedures of such CDS Participant. The DRIP Agent’s charges for administering the DRIP are paid by the Fund. **The automatic reinvestment of distributions under the DRIP will not relieve participants of any income tax applicable to such distributions.**

The Manager may terminate the DRIP in its sole discretion, upon not less than 30 days’ written notice to the DRIP Participants. The Manager may also amend, modify or suspend the DRIP at any time in its sole discretion, provided that it gives notice of such amendment, modification or

suspension to Unitholders. The Trust is not required to issue Units into any jurisdiction where such issuance would be illegal.

g. Redemption of Units

Annual Redemption

In accordance with the Declaration of Trust, Units may be surrendered for redemption not more than 45 days, and at least 20 Business Days, prior to the second last Business Day of November in any year, commencing in 2007 (the "Annual Redemption Date"). Units surrendered for redemption by a Unitholder at least 20 Business Days prior to an Annual Redemption Date will be redeemed as at such Annual Redemption Date and the Unitholder will receive payment in respect of any Units surrendered for redemption on or before the twentieth Business Day following such Annual Redemption Date. Unitholders will receive a redemption price per Unit equal to the NAV per Unit, determined as at such Annual Redemption Date.

Monthly Redemption

In addition to a Unitholder's right to surrender Units annually for redemption pursuant to an annual NAV redemption, Units may be surrendered for redemption to the Trust's registrar and transfer agent up to five days prior to the second last Business Day of any month other than November (a "Monthly Redemption Date"). Units surrendered for redemption by a Unitholder at least five Business Days prior to a Monthly Redemption Date pursuant to a monthly redemption will be redeemed as at such Monthly Redemption Date and the Unitholder will receive payment in respect of any Units surrendered for redemption on or before the tenth Business Day following such Monthly Redemption Date. Unitholders will receive payment of the redemption price per Unit equal to the lesser of:

- a) 95% of the weighted average price per Unit at which the Units have traded on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days during which the Units traded on such exchange or market immediately prior to the applicable Redemption Date; and
- b) an amount equal to:
 - (i) the closing price of the Units on the applicable Redemption Date on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was trading on the applicable Redemption Date and the stock exchange or market provides a closing price;
 - (ii) an amount equal to the average of the highest and lowest prices of Units on the applicable Redemption Date on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was trading on the applicable Redemption Date and the stock exchange or the other market provides only the highest and lowest trading prices of Units traded on a particular day; or

- (iii) the average of the last bid and ask prices on the applicable Redemption Date on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was no trading on the applicable Redemption Date.

Any unpaid distribution payable on or before a Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date.

In the event the Trust is converted into the Converted Fund (as discussed under *Recent Amendments* on page 3) the redemption rights of unitholders will change to be consistent with the provisions of NI 81-102. Please also see *Converted Fund* on page 144.

Redemption Procedure

A Unitholder who desires to exercise Unit redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the Unitholder a written notice of the Unitholder's intention to redeem Units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver a notice to CDS by the required time.

By causing a CDS Participant to deliver to CDS a notice of a Unitholder's intention to redeem Units, the Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect, and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Trust or the Manager to the CDS Participant or the Unitholder in such circumstances.

The Trustee may suspend the redemption of Units or payment of redemption proceeds for the whole or any part of a period during which normal trading is suspended on a stock exchange, options exchange or futures exchange or other market within or outside Canada on which securities owned by the Trust are listed and traded, or on which derivatives are traded, if those securities or derivatives represent more than 50% by value, or underlying market exposure, of the total assets of the Trust without allowance for liabilities and if those securities or derivatives are not traded on any other exchange or market that represents a reasonably practical alternative for the Trust, or for any period not exceeding 120 days during which the Trustee determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the valuation agent to determine the value of the assets of the Trust. The suspension may, at the sole discretion of the Trustee, apply to all requests for redemption received prior to the suspension but as for which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised of the suspension and of their right to withdraw their request for redemption. Redemptions so suspended

will be effected (i) for an annual redemption, as of the first date that the NAV is calculated following termination of the suspension at a price calculated as of such date; and (ii) for a monthly redemption, as of the first Monthly Redemption Date following termination of the suspension at a price calculated as of such date in accordance with the Declaration of Trust. The suspension shall terminate on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Trust, any declaration of suspension made by the Trustee shall be conclusive.

Any and all Units which have been surrendered to the Trust for redemption will be deemed to be outstanding until (but not after) the close of business on the relevant Redemption Date or Monthly Redemption Date, as the case may be, unless payment is not made on or before the applicable redemption payment date, in which event such Units will remain outstanding.

In the event the Trust is converted into the Converted Fund (as discussed under *Recent Amendments* on page 3) the redemption procedures of the Trust will change. Please see *Converted Fund* on page 14.

h. Market Purchase Program

To enhance liquidity and to provide market support for the Units, the Trust has a mandatory market purchase program under which the Trust is, subject to certain exceptions, obligated to purchase for cancellation any Units offered in the market at the then prevailing market price if, at any time following the closing of the Offering, the price at which Units are then offered for sale is less than 95% of the NAV per Unit determined as at the close of business in Toronto, Ontario, on the immediately preceding Business Day. The maximum number of Units to be purchased in any three month period will be 1.25% of the number of Units outstanding at the beginning of such period. The Trust is not obligated to make such purchases if, among other things, (i) the Trust lacks the cash, debt capacity or other resources to make such purchases, or (ii) in the opinion of the Manager, such market purchases would adversely affect the ongoing activities of the Trust.

In addition, the Declaration of Trust provides that, subject to applicable law, the Fund has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase (in the open market or by invitation for tenders) Units for cancellation up to a maximum in any twelve month period of up to 10% of the public float at the commencement of such period, in all cases at prices not exceeding the NAV per Unit on the NAV Valuation Date immediately prior to the date of any such purchase of Units.

i. Repurchase for Cancellation

Subject to applicable law and regulatory requirements, the Trust may (but is not required to), at any time and from time to time in its sole discretion, purchase Units for cancellation at prices not exceeding the NAV per Unit on the NAV Valuation Date (as defined below) immediately prior to such purchase.

j. Unitholder Approval

The Declaration of Trust provides that the following matters, among others, may only be undertaken with the approval of Unitholders, if:

- (a) the basis of the calculation of a fee or expense that is charged to the Fund or directly to its Unitholders by the Fund or its Manager, in connection with the holding of securities of the Fund, is changed in a way that could result in an increase in charges to the Fund or to its Unitholders;
- (b) a fee or expense, to be charged to the Fund or directly to its Unitholders by the Fund or its manager in connection with the holding of securities of the mutual fund that could result in an increase in charges to the Fund or to its Unitholders, is introduced;
- (c) there is a change to the Manager of the Fund, unless the new Manager is an affiliate of the current manager;
- (d) the fundamental investment objectives of the Fund are changed;
- (e) the Fund decreases the frequency of the calculation of its net asset value per security;
- (f) the Fund undertakes a merger.

Further, certain matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution, including:

- (a) the removal of the Trustee;
- (b) the early termination of the Trust, or the continuation of the Trust, subject to certain special circumstances where the Manager may approve early termination as discussed under "Termination of the Trust" below; and
- (c) certain amendments to the Declaration of Trust which are more particularly described in the Declaration of Trust.

In the event the Trust is converted into the Converted Fund (as discussed under *Recent Amendments* on page 3) additional unitholder approval will not be required because unitholders of the Trust approved the changes subject to the occurrence of certain events. Please see *Converted Fund* on page 14.

k. Termination of the Trust

The Fund may be terminated at any time upon not less than 90 days' written notice to the Manager provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose. In addition, the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it is no longer economically practical to continue the Fund or the Manager determines that it would be in the best interest of Unitholders to terminate the Fund. The Fund shall, to the extent possible, convert its assets to cash and, after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to Unitholders, on a *pro rata* basis, as soon as practicable after the Termination Date.

l. Converted Fund

Pursuant to the Declaration of Trust, the trustee may, without any further action or consent by the unitholders, convert the Trust to an open-ended mutual fund, if, for a period of ten (10) consecutive trading days, the daily weighted average trading price (or, in the event there has been no trading on a particular day, the average of the closing bid and ask prices) of the Trust's Units is greater than a 2% discount to the net asset value per unit for that day. Subject to any regulatory and third party approvals, upon conversion unitholders of the Trust will receive Series A units of the Converted Fund.

Upon conversion to the Converted Fund, the management fee will increase and a performance fee will be added. Currently, the Declaration of Trust for the Trust provides that the Trustee shall be paid for its management services performed (i) an annual management fee in an amount equal to 1.1% of the NAV calculated and payable monthly in arrears plus applicable taxes; plus (ii) an amount equal to 0.40% of the NAV per Unit (plus applicable taxes) for Units held by the clients of the sales representatives of the registered dealers calculated and payable quarterly in arrears.

The management fee for the Converted Fund will be an amount equal to 2.5% of the net asset value of the Series A units of the Converted Fund and 1.5% of the net asset value of the Series F units of the Converted Fund calculated and payable monthly in arrears plus applicable taxes. A performance fee equal to 20% of the amount by which the Converted Fund outperforms the Benchmark will be charged by the Manager upon conversion.

The management fee for the Series A units of the Converted Fund includes an amount equal to 1.0% per annum (\$10.00 for each \$1,000 investment) of the value of the Series A units of the Converted Fund (plus applicable taxes) that will be paid by the Manager to dealers at the end of each quarter for the ongoing advice and service provided by dealers relating to Series A units.

The Benchmark for the proposed performance fee was selected because the Manager believes that it best represents the markets in which the Fund invests and as such provides for the fairest measurement standard possible for the performance of the Converted Fund. The performance fee will be subject to regulatory approval under NI 81-102.

The Converted Fund will include issuers in the agribusiness sector in the definition of "Resource Issuer". In addition, the investment strategy of the Converted Fund will be amended to provide for the periodic establishment of the sector weightings at the discretion of the Portfolio Manager based on its expectations for commodity pricing and reposition the Converted Fund's portfolio holdings accordingly, while maintaining a well-diversified portfolio by sector and issuer. The investment restrictions and permitted investments of the Converted Fund will be revised to eliminate the permitted ranges for each commodity sector, decrease the market capitalization requirement for Resource Issuers from \$500 million to \$150 million, permit investment in debt securities, convertible securities and other equity-related securities of Resource Issuers, and permit short-selling provided the following limits and conditions are met:

- (a) the securities sold short will be liquid securities that are traded on a stock exchange;
- (b) the aggregate market value of all securities of any single issuer sold short will not exceed 5% of the total net assets of the Converted Fund;
- (c) the aggregate market value of all securities sold short by the Converted Fund will not exceed 20% of the total net assets of the Converted Fund on a daily marked-to-market basis; and
- (d) the Converted Fund will hold "cash cover" as that term is defined in National Instrument 81-102 *Mutual Funds* ("NI 81-102") in an amount that is at least 150% of the aggregate market value of all securities sold short by the Converted Fund on a daily marked-to-market basis.

3. VALUATION OF PORTFOLIO SECURITIES AND CALCULATION OF NAV

The NAV is calculated by State Street Fund Services Toronto Inc. (the “Valuation Agent”) on each Business Day (a “NAV Valuation Date”). The Investment Advisor notifies the Valuation Agent of any adjustments in the holdings of the Portfolio and of any circumstances which would necessitate an adjustment from a valuation previously provided to it by the Valuation Agent. The Manager reviews and, if satisfactory, approves the valuation and, from time to time, considers the appropriateness of the valuation policies adopted by the Trust, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of Unitholders.

The NAV is calculated by the Valuation Agent on each NAV Valuation Date by subtracting the aggregate amount of the applicable liabilities of the Trust from the applicable assets of the Trust. The assets of the Trust are valued as follows:

(a) the value of any security which is listed or traded upon a stock exchange shall be determined by taking the official closing price from the relevant stock exchange, or if there is no official closing price, the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless, in the opinion of the Valuation Agent, such value does not reflect the value thereof and in which case the latest offer price or bid price should be used), as at the NAV Valuation Date on which the NAV is being determined, all as reported by any means in common use;

(b) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or declared to Unitholders of record on a date before the NAV Valuation Date as of which the NAV is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Valuation Agent has determined that any such asset is not otherwise worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair value thereof;

(c) the value of any bonds, debentures and other debt obligations is valued by taking the average of the bid and ask prices on the NAV Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Amounts drawn under any Loan Facility will be valued at par. Short-term investments, including notes and money market instruments, are valued at cost plus accrued interest which approximates market value;

(d) the value of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the NAV Valuation Date, the position in the forward contract were to be closed out in accordance with its terms;

(e) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Valuation Agent shall make such valuation as it considers fair and reasonable; and

(f) the value of all assets quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Trust in foreign currency and the value of all liabilities and contractual obligations payable by the Trust in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date on which the NAV is computed.

The NAV per Unit is the amount obtained by dividing the NAV as of a particular date by the total number of Units outstanding on that date. The NAV per Unit is calculated on each NAV Valuation Date by the Valuation Agent on instruction from the Manager, shall be reviewed and, if satisfactory, approved by the Manager. The Manager will provide such information to Unitholders who so request by calling toll-free 1-866-404-4999 or through the Internet at www.navinaasset.com.

The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

4. FEES AND EXPENSES

a. Management Fees

As compensation for management services rendered to the Trust pursuant to the Declaration of Trust, the Manager receives:

- (i) an annual management fee payable by the Trust in an amount equal to 1.10% of the net asset value of the Trust calculated and payable monthly in arrears plus applicable taxes;
- (ii) an amount equal to the Service Fee payable to registered dealers, plus applicable taxes;

The Manager, in its capacity as manager of the Trust, is responsible for payment of the portfolio management fees of the Investment Advisor out of its annual management fees.

In the event the Trust is converted into the Converted Fund (as discussed under *Recent Amendments* on page 3) management fees will change. Please see *Converted Fund* on page 144.

b. Ongoing Expenses of the Trust

The Trust pays for all expenses incurred in connection with its operation and administration. These expenses have included or will include, without limitation: preparing, mailing and printing expenses for periodic reports to Unitholders and tax filings; fees payable to the Trustee for acting as trustee and performing management services for the Trust; fees payable to the Valuation Agent for performing certain valuation services; fees payable to the Custodian for acting as custodian of the assets of the Trust; fees payable to the Registrar and Transfer Agent for performing certain financial, record-keeping, reporting and general administrative services; fees payable to the accountants, auditors and legal advisors; ongoing regulatory filing fees and other fees; any reasonable out-of-pocket expenses incurred by the Trustee or its agents in connection with their ongoing obligations to the Trust; any taxes payable by the Trust or to which the Trust may be subject; interest expenses; expenses relating to portfolio transactions; and any expenditures which may be incurred upon the termination of the Trust. The Trust is also responsible for other costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time.

c. Service Fee

The Manager will pay to registered dealers an annual service fee equal to 0.40% of the NAV per Unit for Units held by clients of the sales representatives of the registered dealers calculated and payable semi-annually in arrears.

5. RESPONSIBILITY FOR TRUST OPERATIONS

a. The Trustee

NAMI is the trustee of the Trust pursuant to the provisions of the Declaration of Trust. The Trustee is responsible for certain aspects of the day-to-day administration of the Trust as described in the Declaration of Trust. The name, municipality of residence, position with the Trustee and principal occupation of each of the directors and officers of the Trustee are set out under “Manager – Directors and Officers of the Manager”.

The Trustee or any successor trustee may resign upon 60 days’ written notice to Unitholders or may be removed upon 60 days’ written notice by an extraordinary resolution of the Unitholders in the event the Trustee is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 20 Business Days’ notice of such breach or default. Any such resignation or removal shall become effective only on the acceptance of appointment by a successor trustee. The Trustee is deemed to have resigned in certain circumstances, including if the Trustee becomes bankrupt or insolvent or in the event the Trustee ceases to be resident in Canada for the purposes of the Tax Act. If the Trustee resigns or is removed by Unitholders, its successor must be approved by Unitholders. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee. If a successor trustee is not appointed, the Trust shall be terminated.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of willful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. The Declaration of Trust provides that the Trustee will not be liable in any way for any default, failure or defect in any of the securities comprising the Portfolio if it has satisfied the standard of care and duty set forth above. The Trustee and each of its directors, officers, and employees will be indemnified by the Trust for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or employees in the exercise of its duties under the Declaration of Trust, except those resulting from such person’s willful misconduct, bad faith, negligence, disregard of such person’s obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed. A new trustee that is an affiliate of the Trustee can be appointed without further unitholder approval.

b. The Manager

General

The Manager performs the management functions for the Trust and is responsible for certain aspects of the day-to-day administration of the Trust as described in the Declaration of Trust. The Manager has exclusive authority to manage the operations and affairs of the Trust, to make all decisions regarding the business of the Trust and to bind the Trust. The Manager may delegate certain of its powers to third parties, including by entering into a management agreement, where, in the discretion of the Manager, it would be in the best interests of the Trust to do so. The Manager's registered office is 220 Bay Street , Suite 1500, Toronto, Ontario. M5J 2W4.

Directors and Officers of the Manager, Investment Manager and Trustee

The names and municipalities of residence of the directors and officers of the Manager, Trustee and the Investment Manager and their principal occupations during the last five years are as follows:

Name and Municipality of Residence	Position with the Manager	Principal Occupation During Last 5 Years
ANDREW BENTLEY, TORONTO, ONTARIO	President and Director	President & CEO, Navina Capital Corp., Senior Vice President Fairway Capital Management
LAWRENCE GUY, CAMBRIDGE, ONTARIO	Chief Financial Officer	Chief Financial Officer, Navina Capital Corp., Senior Vice President Fairway Capital Management
HUGH MACLEAN, TORONTO, ONTARIO	Vice President	Vice President, Lawrence Asset Management Inc.
RAVI SOOD, TORONTO, ONTARIO	Chief Executive Officer and Director	President and Chief Operating Officer of the Manager
CATHERINE STRETCH, TORONTO, ONTARIO	Chief Operating Officer	Vice President, Lawrence Asset Management Inc.

d. The Portfolio Manager

The Portfolio Manager operates out of its office in Toronto, Ontario. The team primarily responsible for the portfolio management of the Fund is comprised of two employees of the Portfolio Manager who have significant experience in the investment industry: Ravi Sood and Larry Guy.

Services Provided by the Portfolio Manager

The Portfolio Manager will provide investment advisory and portfolio management services to the Fund with respect to the Portfolio. Decisions as to the purchase and sale of Portfolio securities, and the use of the Loan Facility by the Fund and as to the execution of all portfolio transactions will be made by the Portfolio Manager, in accordance with and subject to the terms of the Investment Advisory Agreement. Subject to the terms of the Investment Advisory

Agreement, the Portfolio Manager will implement the Investment Strategy and allocate the assets amongst the permitted asset classes for the Portfolio on an ongoing basis.

Investment Advisory Agreement

The Investment Advisory Agreement, unless terminated as described below, will continue until the Termination Date. The Portfolio Manager may terminate the Investment Advisory Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days' notice; (ii) in the event that the Manager or the Investment Advisor is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 20 Business Days' notice thereof to the Manager or the Investment Advisor, as applicable; (iii) if there is a material change in the Investment Guidelines to which the Portfolio Manager has not agreed; (iv) if there is a dissolution and commencement of winding-up of the Fund; (v) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or a substantial portion of its assets; or (vi) if the assets of the Fund become subject to seizure or confiscation by any public or governmental organization.

The Investment Advisor may terminate the Investment Advisory Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days' notice; (ii) in the event that the Manager or the Portfolio Manager is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 20 Business Days' notice thereof to the Manager or the Portfolio Manager, as applicable; (iii) if there is a material change in the Investment Guidelines to which the Investment Advisor has not agreed; (iv) if there is a dissolution and commencement of winding-up of the Fund; (v) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or a substantial portion of its assets; or (vi) if the assets of the Fund become subject to seizure or confiscation by any public or governmental organization.

The Manager may terminate the Investment Advisory Agreement, without payment of any penalty, including in the following circumstances: (i) upon 60 days' notice; (ii) in the event that the Portfolio Manager or the Investment Advisor is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 20 Business Days' notice thereof to the Portfolio Manager or the Investment Advisor, as applicable; (iii) if there is a dissolution and commencement of winding-up of the Portfolio Manager or the Investment Advisor; (iv) if the Portfolio Manager or the Investment Advisor becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors, or a receiver is appointed in respect of the Portfolio Manager or the Investment Advisor or a substantial portion of its assets; (v) if the assets of the Portfolio Manager or the Investment Advisor become subject to seizure or confiscation by any public or governmental organization; (vi) if the Portfolio Manager or the Investment Advisor has lost any registration, license or other authorization or can not rely on an exemption therefrom required by it to perform the services delegated to it thereunder; or (vii) if the Portfolio Manager or the Investment Advisor has acted with wilful misconduct, fraud or negligence and as a result of such action there has been a material adverse effect on the Portfolio or the Fund.

The Investment Advisory Agreement will not be subject to termination under clause (ii) in the preceding paragraph if a material breach by the Portfolio Manager or the Investment Advisor cannot be cured within 20 Business Days' notice thereof but the Portfolio Manager or the Investment Advisor commences the cure within the 20 Business Day period and completes the cure within 45 days of such notice. In addition, if the Portfolio Manager or the Investment Advisor purchases or sells a security in the Portfolio or takes any other action with respect to the

assets of the Portfolio that through inadvertence violates any investment policy or restriction set forth in the Investment Advisory Agreement and the violation has or will have a material adverse effect on the Portfolio, then it will not be considered a material breach for purposes of the termination right in clause (ii) in the preceding paragraph if the Portfolio Manager or the Investment Advisor takes action that returns the Portfolio to compliance with such investment policy or restriction within the cure period described above, as the same may be extended by agreement in writing by each of the parties to the Investment Advisory Agreement.

In the Investment Advisory Agreement, both the Portfolio Manager and the Investment Advisor covenant to act at all times on a basis which is fair and reasonable to the Manager and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager and investment advisor would exercise in the circumstances. The Investment Advisory Agreement provides that neither the Portfolio Manager nor the Investment Advisor will be liable in any way to the parties indemnified under the Investment Advisory Agreement for any default, failure or defect in any of the securities comprising the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Investment Advisory Agreement further provides that neither the Portfolio Manager nor the Investment Advisor will be liable for any losses in the NAV if they satisfied the standard of care, diligence and skill set forth above. Pursuant to the Investment Advisory Agreement, the Portfolio Manager, the Investment Advisor and their officers, directors and employees shall be indemnified, from the assets of the Fund only, against all losses (other than loss of profits), expenses and liabilities, incurred by any of them in connection with any matter relating to their duties under the Investment Advisory Agreement, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Advisory Agreement or an act or omission involving wilful misfeasance, bad faith, negligence or reckless disregard of such person's duties under the Investment Advisory Agreement.

In the event that the Investment Advisory Agreement is terminated as provided above, the Manager shall promptly appoint one or more successor portfolio managers to carry out the activities of the Portfolio Manager.

The Manager is responsible for payment of the investment management fees of the Investment Advisor and the Portfolio Manager out of the Manager's fees.

The services of the Portfolio Manager, the Investment Advisor and their officers and directors are not exclusive to the Fund. The Portfolio Manager, the Investment Advisor, or any of their affiliates and associates may serve as an investment manager or portfolio manager for other investment vehicles with similar investment objectives as the Fund and may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts, the Fund, any similar entity for which they serve as manager or advisor and for their other clients or affiliates. In such circumstances the quantity of a security available at the same price may be insufficient to satisfy the requirements of every client, or the quantity of a security to be sold may be too large to be completed at the same time. Similarly, new issues of a security may be insufficient to satisfy the total requirements of all clients. Under such conditions, the Portfolio Manager and the Investment Advisor will allocate among clients, insofar as it is possible, such purchases or sales in accordance with their respective trade allocation policies in effect from time to time, generally on a *pro rata* basis.

e. Auditors, Transfer Agent and Registrar and DRIP Agent

The auditors of the Trust are Ernst & Young LLP, located at 222 Bay Street, 28th Floor, Toronto, Ontario, M5K 1J7.

The transfer agent and registrar for the Trust is Computershare Investor Services Inc. (“Computershare”) at its principal office in 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1. In addition to performing registrar and transfer agency services, Computershare has been appointed the DRIP Agent to the Trust and also provides certain record-keeping, Unitholder reporting and general administration services pursuant to a registrar, transfer agency and distribution agency agreement between Trustee as the trustee of the Trust and Computershare (the “Transfer Agency Agreement”). The Transfer Agency Agreement may be terminated by either party on 90 days’ notice to the other.

f. Custodian and Valuation Agent

The custodian of the Trust is State Street Trust Company Canada (the “Custodian”), 30 Adelaide Street East, Suite 1500, Toronto, Ontario M5C 3G6. The valuation agent is State Street Fund Services Toronto Inc., 30 Adelaide Street East, Suite 1100, Toronto, Ontario M5C 3G6. The Manager has appointed the Custodian as custodian of the property of the Trust pursuant to the terms of a custodian agreement entered into by the Manager, on behalf of the Trust, and the Custodian dated as of May 31, 2006 (the “Custodian Agreement”). The Custodian Agreement may be terminated by either party on 90 days’ notice to the other.

The Valuation Agent performs certain accounting and record keeping services and certain valuation services for the Trust at its principal office in Toronto, Ontario pursuant to a valuation services agreement dated May 31, 2006 between the Company and the Valuation Agent (the “Valuation Services Agreement”). The Valuation Services Agreement may be terminated by either party on 60 days’ notice to the other.

The Custodian and Valuation Agent receive fees from the Fund for their services. The custody fees are calculated based on the market value of assets held by the Custodian on behalf of the Fund and the number of transactions in those securities, which varies based on the country of origin of the security and its complexity. The fee for valuation services rendered by the Valuation Agent is also based on the market value of the Fund, the complexity of its portfolio held securities, and certain minimum fee levels. The fees for these services are accrued daily and paid monthly in arrears, by the Fund.

g. Brokerage Arrangements

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

6. TRUST GOVERNANCE

a. Independent Review Committee

National Instrument 81-107 *Independent Review Committee for Investment Funds* (“NI 81-107”) requires all publicly offered investment funds to establish an independent review committee (the “IRC”). The Manager must refer all conflict of interest matters in respect of the Trust for review or approval to the IRC. NI 81-107 also imposes obligations upon the Manager to establish

written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three independent members, and is also subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to the Trust and to its unitholders in respect of those functions. The most recent report prepared by the IRC is available on the Manager's website (www.navinaasset.com), or at a unitholder's request at no cost, by contacting the Trust at 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4; telephone: 416-362-4999; toll free: 1-866-404-4999; fax: 416-362-0063 or through the Trust's website.

The members of the IRC for the Fund, who were appointed as of May 1, 2007, are Mr. John Crow and Mr. Amar Bhalla. Carrie Freeborough was appointed to the IRC in April 9, 2009.

The IRC engages in the following activities:

- review and provide input on the Manager's written policies and procedures that deal with conflict of interest matters;
- review conflict of interest matters referred to it by the Manager and make recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieves a fair and reasonable result for the Trust;
- consider and, if deemed appropriate, approve the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- perform any other duties as may be required of the IRC under applicable securities laws.

The compensation and other reasonable expenses of the IRC, as well as the other reasonable costs of complying with NI 81-107, will be paid pro rata out of the assets of the Trust, as well as out of the assets of the other investment funds managed by the Manager for which the IRC acts as an independent review committee. Under the previous Manager JovFunds the Trust paid its proportionate share of the total compensation paid to the IRC in the amount of \$103.00 (including GST) for the financial year ended December 31, 2009.

b. Use of Derivative Instruments

Pursuant to the Declaration of Trust, the Trust is permitted to invest in or use derivative instruments, other than commodity derivatives, for hedging purposes consistent with its investment objectives, investment strategy and investment criteria and subject to its investment restrictions, and in accordance with National Instrument 81-102 Mutual Funds ("NI 81-102"), as it may be amended from time to time, or as otherwise may be permitted by Canadian securities regulators from time to time (in each case as if the Trust were a mutual fund under Canadian securities legislation and subject to NI 81-102).

The Trust may, from time to time, generate additional income for the Fund by writing covered call options on securities in the Portfolio. Such covered call options may be either exchange traded options or over-the-counter options. Because covered call options will be written only in respect of equity securities that are in the Portfolio, the call options will be covered call options at all times.

The Portfolio Manager is responsible to ensure that derivatives used will be appropriate for the Trust, consistent with the applicable investment objectives, strategies and restrictions of the Trust and compliant with the requirements of NI 81-102.

The Portfolio Manager maintains written policies and procedures setting out the objectives and goals for derivatives use and risk management procedures (including trading limits). These policies will be reviewed by senior management of the Portfolio Manager and provided to the Manager, at least annually.

Derivative transactions for the Trust may be initiated only by authorized investment personnel of the Portfolio Manager who have the necessary proficiency and experience to use derivatives. As in the case of other portfolio transactions, all derivative transactions for the Trust must be recorded on a real time basis and immediately reflected in the Trust's portfolio management records. Derivative positions will be monitored daily to ensure compliance with all regulatory requirements, including cash cover requirements.

c. Leverage

In order to provide the Investment Advisor with the ability to use leverage to enhance the Portfolio's return, effect market purchases of Units and maintain liquidity, the Trust may borrow pursuant to a Loan Facility from a Lender, which may be affiliated with one or more of the Agents. It is expected that the terms, conditions, interest rates, fees and expenses of and under any Loan Facility would be typical for loans of this nature.

The Portfolio Manager, on behalf of the Fund, may use a Loan Facility when market conditions provide opportunities to attempt to increase the potential returns of the Portfolio by taking advantage of the spread between the potential return on additional investments in the Portfolio and the cost of borrowing the purchase price for such investments. **Any Loan Facility may only be used in an aggregate amount not to exceed 25% of the value of the total assets of the Fund at the time the borrowing or other transaction is entered into. Initially, it is anticipated that leverage will not be employed.**

In the event that the total amount borrowed by the Fund, or otherwise subject to leverage, exceeds 25% of the value of the total assets of the Fund as a result of redemptions or other decrease in the number of Units outstanding, the Fund's indebtedness or other leverage will be reduced on an orderly basis as soon as practicable so that the amount borrowed or otherwise subject to leverage does not exceed such limit. The Fund will not be required to reduce borrowings or other leverage as a result of decreases in the total assets of the Fund occurring otherwise than as a result of redemptions or other decrease in the number of Units outstanding. If the value of the total assets of the Fund decreases otherwise than as a result of redemptions or other decrease in the number of Units outstanding, the percentage of leverage in the Portfolio may constitute more than 25% of the value of the total assets of the Fund from time to time.

d. Securities Lending

In order to generate additional returns, the Trust may lend securities in the Portfolio to brokers, dealers, and other financial institutions provided that: (i) the borrower will pay to the Trust a negotiated securities lending fee and will make compensation payments to the Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Trust will receive prescribed collateral security. The minimum level of collateralization in respect of a

loan of Portfolio securities will be 102%. The Trust is also authorized to receive a fee or interest on the collateral, and may pay lending fees to a party arranging the loan.

NAMI uses agents in connection with the Trust's securities lending, repurchase and reverse repurchase transactions. JovFunds has written policies and procedures in place that set out the objectives and goals for securities lending, repurchase transactions or reverse repurchase transactions, and the risk management procedures applicable to the Trust. Senior management of JovFunds is responsible for setting and reviewing the agent's agreement and is responsible for setting and reviewing these policies and procedures. These policies and procedures are reviewed at least annually. The board of directors of JovFunds approves these policies and procedures annually. From time to time, JovFunds may establish limits or other controls that are greater than those required in NI 81-102. Senior management of JovFunds is responsible for authorizing limits or controls on these transactions. Securities lending, repurchase and reverse repurchase transactions are performed by the agent on behalf of the Funds and is not an affiliate of JovFunds. JovFunds does not use risk measurement procedures and simulations to test the portfolio under stress conditions.

e. Proxy Voting Policies and Procedures

The Portfolio Manager's governing principles in voting proxies on behalf of the Trust is to support all proposals that will maximize the value of the investments in the Trust and those of Unitholders over the long term. While this philosophy is simple, the proposals received are varied and frequently complex. As such, the proxy voting guidelines provide a framework for the party with primary proxy voting responsibility to assess each proposal. Each proposal will be assessed on its merits, based on the particular facts and circumstances as presented.

In evaluating proxy proposals, information from many sources is considered, including management or shareholders of a company presenting a proposal and independent proxy research services. Substantial weight will be given to the recommendations of the company's board, absent guidelines or other specific facts that would support a vote against management. The proxy voting guidelines deal with voting on routine matters such as the election of directors and the auditors, as well as non-routine matters such as compensation and corporate structure and shareholders' rights plans. Decisions as to proxy voting for routine matters such as: (i) election of the board of directors; and (ii) approval of independent auditors, in each case is based primarily on independence criteria. Decisions as to proxy voting for specific non-routine matters are summarized as follows: (i) for compensation issues: considerations include independent director oversight, dilution, performance, broad participation and value of compensation; (ii) for corporate structure and shareholder rights: considerations for shareholder rights plans include factors relating to legitimate defensive purposes and shareholder approvals; and considerations for other corporate structure matters are tailored to the individual matters; (iii) for corporate and social policy issues: the Portfolio Manager will normally abstain; and (iv) for voting in foreign markets: considerations include improvements in governance, liquidity and costs of voting. While serving as a framework, the proxy voting guidelines cannot contemplate all possible proposals with which the Trust may be presented.

In the absence of a specific guideline for a particular proposal (e.g., in the case of a transactional issue or contested proxy), the Portfolio Manager will evaluate the issue and cast the Trust's vote in a manner that, in their view, will maximize the value of the Trust's investment.

Because many factors bear on each decision, the proxy voting guidelines incorporate factors that should be considered in each voting decision. The Trust may refrain from voting if that would be

in the Trust's and Unitholders' best interests. These circumstances may arise, for example, when the expected cost of voting exceeds the expected benefits of voting, or when exercising the vote results in the imposition of trading or other restrictions. The Portfolio Manager may vote contrary to these guidelines in circumstances where it is in the best interests of the Trust and Unitholders.

The current proxy voting policies and procedures of the Manager are available to Unitholders on request, at no cost, by calling toll-free 1-866-404-4999 or can be obtained on the web at www.navinaasset.com.

f. Proxy Voting Record

Applicable securities laws require that commencing with the annual period beginning July 1, 2005, the Trust must prepare a proxy voting record for the annual period ending June 30 of each year, which must be made available on its website as of August 31 of each year. The Trust's proxy voting record for the annual period ending June 30, 2009 is available at any time to any Unitholder on request, at no cost, and is also available on the web at www.navinaasset.com. The Trust makes an annual proxy voting record available on its website by August 31, of each calendar year.

7. FEDERAL INCOME TAX CONSIDERATIONS

a. Taxation of the Trust

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

With respect to an Income Trust that is a trust resident in Canada whose securities are included in the Portfolio, the Fund will be required to include in the calculation of its income such portion of the net income and the taxable portion of net realized capital gains of such Income Trust as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional securities of the Income Trust. Provided appropriate designations are made by the Income Trust, any net taxable capital gains realized by the Income Trust and taxable dividends received by the Income Trust from taxable Canadian corporations that are paid or become payable to the Fund and are designated by the Income Trust will effectively retain their character as such in the hands of the Fund.

The Fund will generally be required to reduce the adjusted cost base of the securities of such Income Trust to the extent that all amounts paid or payable in a year by the Income Trust to the Fund exceed the amounts included in the income of the Fund for the year plus the Fund's share of the non-taxable portion of capital gains of such Income Trust for the year, the taxable portion of which was designated in respect of the Fund. To the extent that the adjusted cost base of those securities would otherwise become negative, such negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such securities will be increased by the amount of such deemed capital gain.

In addition, for taxation years beginning before 2007, the Fund will be required to include in its income any amount designated in respect of the Fund under subsection 104(29) of the Tax Act by an Income Trust that is a trust in respect of certain Crown royalties and charges in excess of the resource allowance deductible in computing the Income Trust's income. Any such deemed income will be made payable by the Fund to Unitholders. The Fund may deduct the amount it designates as payable to the Unitholders, who will be required to include their share of such amount in their income.

With respect to an Income Trust that is a limited partnership whose securities are included in the Portfolio, the Fund will be required to include or, subject to certain restrictions, will be entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the Income Trust allocated to the Fund for the fiscal period of the Income Trust ending in the Fund's taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Fund of the securities of such an Income Trust at a particular time will be equal to the actual cost of such securities plus the share of the income of the Income Trust allocated to the Fund for fiscal years of the Income Trust ending before the particular time less the share of losses of the Income Trust allocated to the Fund for fiscal years of the Income Trust ending before the particular time, and less the Fund's share of any distributions received from the Income Trust before the particular time. If the adjusted cost base to the Fund of the securities of such an Income Trust would otherwise become negative, such negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such securities will be increased by the amount of such deemed capital gain.

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 borrowed funds used to purchase securities to be included in the Portfolio. The Fund may deduct the costs and expenses of this Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The CRA has expressed a view that, in certain circumstances, the interest on money borrowed to invest in an Income Trust that may be deducted may be reduced on a *pro rata* basis in respect of distributions from the Income Trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel is of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence, the CRA's published administrative positions and on an understanding of the nature of the expected distributions from the Income Trusts, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire securities of Income Trusts included in the Portfolio. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire securities of certain Income Trusts held in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund's income for that or another taxation year and such income inclusion will reduce the proceeds of disposition for purposes of computing any capital gain or loss.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of amounts included as interest on the disposition of the security and any reasonable costs of disposition,

exceed (or are less than) the adjusted cost base of such security provided such security is capital property to the Fund. The Manager has made an election under subsection 39(4) of the Tax Act so that all securities included in the Portfolio that are Canadian securities (as defined in the Tax Act) will be deemed to be capital property to the Fund. The Fund may derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, net of associated deductions, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund's income, the Fund may designate in respect of a Unitholder a portion of its foreign source income which can reasonably be considered to be part of the Fund's income distributed to such holder 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 Act.

The Fund may enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities, 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. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar.

Premiums received on covered call options written by the Fund which are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Fund will purchase the securities in the Portfolio with the objective of earning dividends thereon over the life of the Fund and will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio. Thus, having regard to the foregoing and in accordance with the CRA's published administrative practices, transactions undertaken by the Fund in respect of securities comprising the Portfolio and options on such securities will be treated and reported by the Fund as arising on capital account.

b. Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year (whether in cash or in Units). Provided that appropriate designations are made by the Trust, such portion of (i) the net realized taxable capital gains of the Trust, (ii) the foreign source income of the Trust and foreign taxes eligible for the foreign tax credit, and (iii) taxable dividends received by the Trust 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 the Fund so designates its income from a foreign source in respect of a Unitholder, the Unitholder will for the purposes of computing its foreign tax credits be entitled to treat the Unitholder's proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Fund is subject to the foreign tax credit rules under the Tax Act and the Unitholder's particular circumstances. Investors should consult their own tax advisors in this regard. To the extent that amounts are designated as taxable

dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply.

Any loss of the Fund for purposes of the Tax Act cannot be allocated to the Unitholders and cannot be treated as the Unitholders' loss. If the Fund designates an amount in respect of deemed income of the Fund arising as a result of a designation of an amount under subsection 104(29) of the Tax Act by an oil and gas royalty trust included in the Portfolio, the Unitholder would be required to include in income the Unitholder's share of the amount designated by the Fund. See "Taxation of the Fund".

The NAV 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 notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), 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 which represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. If the Fund distributes property *in specie* on the termination of the Fund, 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. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains or on a reinvestment of distributions from the Fund (as contemplated under "Distributions – Distribution Reinvestment Plan") will generally be equal to the amount of the distribution. If a Unitholder participates in the DRIP and acquires a Unit from the Fund at a price that is less than the fair market value of the Unit, it is the CRA's administrative position that the Unitholder must include the difference in income and increase the cost of such Unit by a corresponding amount. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units. See "Distributions – Distribution Policy".

One-half of any 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 taxable dividends from taxable Canadian corporations or as net realized taxable capital gains and taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

8. CONFLICT OF INTEREST

a. Principal Holders of Securities

To the knowledge of the Manager, as at March 31, 2010, no person owns, beneficially, either directly or indirectly, more than 10% of the outstanding Units. All of the Units are registered in the name of CDS & Co.

b. General

The services of the Manager and its officers and directors are not exclusive to the Trust. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management of any other fund or trust which invests primarily in securities in the Portfolio, and provide similar services to other investment funds and other clients and engage in other activities.

9. MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust referred to under “The Trust – Name and Information of the Trust”;
- (b) The Investment Advisory Agreement, as amended by the Investment Advisory Assignment and Assumption Agreement, as referred to under “Responsibility for Trust Operations – The investment Advisor”;
- (c) the Custodian Agreement referred to under “Responsibility for Company Operations – Custodian and Valuation Agent”;
- (d) the Valuation Services Agreement referred to under “Responsibility for Trust Operations –Custodian and Valuation Agent ”;
- (e) the Transfer Agency Agreement referred to under “Responsibility for Trust Operations – Auditors, Transfer Agent and Registrar”; and
- (f) the Distribution Reinvestment Plan Agency Agreement referred to under “Narrative Description of the Business – Distribution Reinvestment Plan”.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the Manager at 220 Bay Street , Suite 1500, Toronto, Ontario. M5J 2W4.

ADDITIONAL INFORMATION

Additional information concerning the Trust is contained in the Trust's management report of fund and financial statements. Copies of these documents may be obtained at no cost from the Manager upon request, please contact:

Navian Asset Management Inc.
220 Bay Street ,
Suite 1500
Toronto, Ontario. M5J 2W4
Phone: 416-362-4999
Toll Free: 1-866-4044-4999
Email: info@navinaasset.com

Copies of these documents and other information about the Trust, such as information circulars and material contracts, are also available on the Trust's website at www.navinaasset.com or at www.sedar.com.

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