

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Annual Information Form dated December 18, 2009 of:

Navina Income & Growth Fund (Class A units, Class F units and Class X units)
(formerly Lawrence Income & Growth Fund)

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NAME, FORMATION AND HISTORY OF THE FUND

In this document, we refer to:

- Navina Income & Growth Fund as the *Fund*; and
- Lawrence Asset Management Inc. as *we, us, our, Manager* and *Trustee*.

Prior to August 27, 2007, the Fund was a closed-end investment fund (Lawrence Payout Ratio Trust) listed on the Toronto Stock Exchange (“TSX”) under the symbol LPU.UN. Effective August 27, 2007, the declaration of trust was amended and restated (the “Declaration of Trust”): (i) to make certain operational changes thereby converting the Fund to an open-ended mutual fund; (b) to amend the investment restrictions of the Fund in order to comply with National Instrument 81-102 – *Mutual Funds* (“NI 81-102”); (c) to remove the borrowing powers of the Fund in order to comply with NI 81-102; and (d) to amend the investment strategy of the Fund to allow for investment in a more diverse portfolio of income-producing securities. The Fund was formerly called Lawrence Income & Growth Fund.

Lawrence Asset Management Inc. (the “Manager”), the manager and trustee of the Fund, was formed under the laws of the Province of Ontario pursuant to articles of incorporation dated December 15, 2000. The registered office of the Fund and of the Manager is located at 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4. The Manager has established itself as an investment firm that manages various investment products and as at November 19, 2009, had approximately \$200 million in assets under management. Investment products managed by the Manager include High Income Preferred Shares Corporation, Tax Optimized Return Oriented Securities Trust, Lawrence Income Fund Inc., Lawrence Partners Fund Inc., Lawrence Cayman Fund, Lawrence India Fund, Trinorth Capital Inc. and Lawrence Enterprise Fund Inc.

Units of the Fund are offered and sold to the public through registered dealers.

INVESTMENT RESTRICTIONS OF THE FUND

Investment Restrictions

The Fund is subject to certain standard investment restrictions and practices contained in securities legislation, including NI 81-102. This legislation is designed, in part, to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. Except as indicated below under the heading “Short Selling”, the Fund is managed in accordance with these standard investment restrictions and practices.

The fundamental investment objective of the Fund is set out in the simplified prospectus of the Fund. Any change in the investment objective of the Fund requires the approval of a majority of unitholders of the Fund at a meeting called for that purpose. The Manager may change the Fund’s investment strategies from time to time at its discretion.

Eligibility under the *Income Tax Act*

The Fund qualifies and is expected to continue to qualify, at all material times, as a “mutual fund trust”, as defined in the *Income Tax Act* (Canada) (the “Tax Act”). Provided the Fund continues to qualify as a mutual fund trust, or is a registered investment, its units will be qualified investments for trusts governed by registered retirement savings plans (including group registered retirement savings plans and locked-in retirement accounts), registered retirement income funds (including life income funds and locked-in retirement income funds), deferred profit-sharing plans, registered education savings plans, registered disability savings plans and tax free savings accounts (referred to collectively as “Registered Plans”). Investors planning on holding Fund units in a tax-free savings account should consult with their own advisors as to whether the units are a “prohibited investment” under the Tax Act.

The Fund will not engage in any undertaking other than the investment of its funds in property for the purposes of the Tax Act. As a registered investment, the Fund will not acquire an investment which is not a “qualified investment” under the Tax Act if, as a result thereof, the Fund would become subject to tax under Part X.2 of the Tax Act.

Short Selling

The Fund has received permission from the Canadian securities regulatory authorities to deviate from NI 81-102 by selling securities short, by providing a security interest over its assets in connection with the short sales and by depositing fund assets with dealers as security in connection with such transactions. A short sale by the Fund involves borrowing securities from a lender and selling those securities in the open market (or “selling short” the securities). At a later date, the same number of securities are repurchased by the Fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the Fund pays compensation to the lender on the borrowed securities. If the value of the securities declines between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund will make a profit for the difference (less any compensation the Fund is required to pay to the lender). Selling short provides the Fund with more opportunities for profits when markets are generally volatile or declining.

The Fund will engage in short selling only within certain controls and limitations. Securities will be sold short only for cash and the Fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales will be effected only through market facilities through which those securities normally are bought and sold and the Fund will short sell a security only if: (i) the security is listed and posted for trading on a stock exchange and either the issuer of the security has (I) a market capitalization of not less than CDN\$300 million, or the equivalent thereof, at the time the short sale is effected, or (II) a market capitalization of less than CDN\$300 million and not less than CDN\$50 million, or the equivalent thereof, at the time the short sale is effected, and the aggregate (calculated at the time of the short sale) of the securities sold short by the Fund of that issuer shall not exceed the average daily trading volume of the securities sold short over the five days immediately preceding the date on which the short sale is effected; or (ii) the security is a bond, debenture or other evidence of indebtedness of or guaranteed by the Government of Canada or any province or territory of Canada or the Government of the U.S. As well, at the time securities of a particular issuer are sold short by the Fund, the

aggregate market value of all securities of that issuer sold short will not exceed 5% of the net assets of the Fund. The Fund will also place a “stop-loss” order (effectively, a standing instruction) with a dealer to immediately repurchase for the Fund the securities sold short if the trading price of the securities exceeds 120% (or a lower percentage determined by us) of the price at which the securities were sold short. The aggregate market value of all securities sold short by the Fund will not exceed 20% of its net assets on a daily marked-to-market basis. The Fund may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. The Fund also will hold cash cover in an amount, including the Fund’s assets deposited with lenders, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to-market basis. No proceeds from short sales will be used by the Fund to purchase long positions other than cash cover. Where a short sale is effected in Canada, every dealer that holds Fund assets as security in connection with the short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside Canada, every dealer that holds Fund assets as security in connection with the short sale must be a member of a stock exchange and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements. The aggregate assets deposited by the Fund with any single dealer as security in connection with short sales will not exceed 10% of the Fund’s net assets at the time of deposit.

DESCRIPTION OF UNITS

The Fund has the ability to issue an unlimited number of units in an unlimited number of classes. The Fund currently offers Class A units, Class F units and Class X units. A description of the classes of units offered by the Fund is contained in the Fund’s simplified prospectus.

The Fund generally derives its value from the portfolio assets held by the Fund and the income earned in respect thereof. A separate net asset value (“NAV”) is calculated weekly in respect of each class of units issued. The NAV of the Fund and of each class of units is determined as described under “Calculation of Net Asset Value and Valuation of Portfolio Securities”.

Each holder of a whole unit of the Fund is entitled to one vote per unit at meetings of unitholders of the Fund, other than meetings at which the holders of one class of units of the Fund are entitled to vote separately as a class.

Subject to Management Fee Distributions (as defined below), all units of each class are treated equally with respect to distributions and on any winding-up of the Fund, based on the relative NAV of each class.

All units of the Fund are fully paid and non-assessable when issued.

Fractions of units may be issued. Fractional units carry the rights and privileges, and are subject to the restrictions and conditions, applicable to whole units in the proportions which they bear to one unit; however, the holder of a fractional unit is not entitled to vote in respect of such fractional unit.

Unitholders can redeem all or any of their units at the class NAV of those units as described under “Redemption of Units”. All units are transferable without restriction.

The Trustee may modify, alter or add to the provisions of the Declaration of Trust without notice to unitholders unless such amendment would constitute a “material change” for purposes of NI 81-102 (or any successor instrument), in which case the Declaration of Trust may be amended on at least 21 days’ prior written notice to unitholders or such longer period as may be required by applicable law.

The Declaration of Trust also provides that unitholder approval is required in connection with any change:

- which requires unitholder approval under applicable law;
- to modify the rights of unitholders with respect to the outstanding units of the Fund by reducing the amount payable thereon upon liquidation of the Fund;
- to diminish or eliminate voting rights attached to the units.

Meetings of Investors

The Fund does not hold regular meetings. Investors of the Fund are permitted to vote on all matters that require unitholder approval under NI 81-102 or under the Declaration of Trust. These matters currently are:

- a change in the basis of the calculation of a fee or expense that is charged to the Fund or directly to its unitholders, or the introduction of a fee or expense to be charged to the Fund, or directly to its unitholders, that could result in an increase in charges to the Fund or its unitholders;
- a change of the manager of the Fund (other than to an affiliate of the Manager);
- any change in the fundamental investment objective of the Fund;
- any decrease in the frequency of calculating the NAV of the Fund;
- in certain cases, if the Fund undertakes a reorganization with, or transfer of its assets to, another mutual fund or acquires another mutual fund’s assets; and
- any other matter which is required by the Declaration of Trust, corporate law or by the laws applicable to the Fund or by any agreement to be submitted to a vote of the unitholders of the Fund.

Approval of these matters requires an affirmative vote of at least a majority of the unitholders present at a meeting called to consider these matters.

CALCULATION OF NET ASSET VALUE AND VALUATION OF PORTFOLIO SECURITIES

The net asset value of the Fund (“NAV”) is the value of the various assets of the Fund, as described below, less the aggregate amount of the Fund’s liabilities. State Street Trust Company Canada (the “Valuation Agent”) will calculate the NAV on the last day of each week that the TSX is open for business (the “Valuation Date”). If the Fund uses specified derivatives, the NAV of the Fund will be calculated on a daily basis, in accordance with section 14.2(3)(b) of National Instrument 81-106 – *Investment Fund Continuous Disclosure* (“NI 81-106”).

The material provisions for calculating the NAV of the Fund from time to time are as follows:

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the total assets are being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Valuation Agent has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the total assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair market value thereof;
- (b) the value of any security, index future or index option which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) shall be determined by taking 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 shall be used), as at the Valuation Date on which the total assets are being determined, all as reported by any means in common use;
- (c) the value of any security, index future or index option which is listed or traded upon a stock exchange (or if more than one, on the principal exchange for the security, as determined by the Valuation Agent) will be determined by taking 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 will be used), as at the Valuation Date on which the total assets are being determined, all as reported by any means in common use;

- (d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities or as the Valuation Agent determines to be the fair market value;
- (e) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants shall be the current market value thereof;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the total assets are being determined as determined by the Valuation Agent (generally the Valuation Agent will value such asset at cost until there is a clear indication of an increase or decrease in value);
- (g) any market price reported in currency other than Canadian dollars shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Valuation Agent, including, but not limited to, the Valuation Agent or any of its affiliates;
- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Valuation Agent and investments in private companies and other assets for which no published market exists will be valued at cost or the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent;
- (i) expenses and liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis;
- (j) for the purpose of calculating the NAV for each class of units of the Fund, the liabilities of a class of units of the Fund shall comprise the liabilities of the Fund that are allocated to that particular class of units plus its proportionate share of any liabilities of the Fund that are not allocated to any particular class; and
- (k) the value of any security or property to which, in the opinion of the Valuation Agent, in consultation with the Manager, the above principles cannot be applied or are inappropriate (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Valuation Agent, in consultation with the Manager, from time to time adopts.

The discretion to deviate from the Fund's valuation practices has not been exercised in the past three years.

Except as described above, 81-106 requires an investment fund, such as the Fund, to calculate its net assets in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Canadian GAAP was recently modified by the introduction of section 3855 Financial Instruments - Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants. Section 3855 redefines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. Section 3855 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2006. Therefore, the combined effect of NI 81-106 and section 3855 would require the Fund to determine the value of securities listed on a recognized public securities exchange or on NASDAQ using the fair value as defined by section 3855. However, since September 8, 2008, NI-81-106 permits investment funds, such as the Fund, to calculate its net asset value in accordance with Canadian GAAP without giving effect to section 3855 for purposes other than issuing annual or interim financial statements, such as the issue and redemption of units of the Fund. Financial statements of the Fund will contain a reconciliation of the NAV per unit of each class of the Fund that is reported in such financial statements in accordance with Canadian GAAP to the NAV per unit of each class of the Fund used by the Fund for all other purposes.

We calculate a separate NAV for each class of units of the Fund. Generally speaking, the NAV per unit of each class is calculated by:

- taking the proportionate share of the assets of the Fund allocated to that class,
- subtracting the expenses of that class and the proportionate share of the common expenses of the Fund allocated to that class,
- dividing the resulting number by the total number of units in that class held by investors.

The Manager may declare a suspension of the determination of net asset value for the whole or part of any period in which the right of redemption has been suspended. See "Redemption of Units".

PURCHASE OF UNITS

General

Units of the Fund are offered for sale on a continuous basis through registered dealers. Individuals must be of majority age in their province of residence in order to purchase units and may hold such units in trust for a minor. Purchase orders must be placed with dealers or brokers registered in an investor's province.

Class X units are available only to former unitholders of the Lawrence Payout Ratio Trust whose units of the Lawrence Payout Ratio Trust have been converted into Class X units of the Fund.

Purchase Price

Units of the Fund may be purchased at their class NAV per unit from time to time, computed as described under “Calculation of Net Asset Value and Valuation of Portfolio Securities”. The purchase price per unit is the class NAV per unit next determined following receipt by the Fund of a complete subscription. Any subscription received on a Valuation Date or on any day that is not a Valuation Date is deemed to have been received on the following Valuation Date. The purchase price per unit is then the class NAV per unit established on the Valuation Date following the day of actual receipt of the subscription. The cut-off time for receipt of subscriptions is 4:00 pm ET on a Valuation Date.

Minimum Purchase Amounts

Except under the Pre-Authorized Chequing Plan offered by the Manager, the minimum amount for an initial investment for Class A units or Class F units of the Fund is \$500 per class, as applicable. Each additional investment for Class A units, Class F units or Class X units of the Fund must be at least \$50. We will determine, and from time to time may change, the minimum amounts for initial and subsequent investments in any class. We will not accept cash or travellers’ cheques.

Sales Options

Investors may choose between paying:

- a sales charge negotiable at the time of purchase (the “Sales Charge Option”) when purchasing Class A units or Class X units of the Fund, or
- a contingent deferred sales charge at the time of redemption (the “Low-Load Deferred Sales Charge Option”) when purchasing Class A units of the Fund.

Class X units are only available under the Sales Charge Option. There are no sales charges applicable to a purchase of Class F units of the Fund.

With the Sales Charge Option, you usually pay a sales commission to your financial advisor when you buy your Class A units or Class X units. The commission is negotiable between you and your financial advisor, but cannot exceed 5.00% of the amount you invest.

The Low-Load Deferred Sales Charge Option is applicable only to Class A units. If you choose the Low-Load Deferred Sales Charge Option, you pay no commission when you invest in the Fund. The entire amount of your investment goes toward buying units of the Fund and we pay the financial advisor’s commission directly. However, if you sell your Class A units within three years of buying them, you will pay a redemption fee.

The redemption fee starts at 2.5% in the first year and decreases over a three year period. If you hold your units for more than three years, you pay no redemption fee.

If you chose the Low-Load Deferred Sales Charge Option, you may not sell your units until the beginning of the fourth year without paying a redemption fee.

Your choice of purchase option will require you to pay different fees and will affect the amount of compensation paid to your dealer. See “Redemption of Units” for further information concerning the Low-Load Deferred Sales Charge Option.

Processing Orders

All orders for units are forwarded to the registered office of the Manager for acceptance or rejection and the Manager reserves the right to reject any order in whole or in part. Dealers and brokers must transmit an order for units to the registered office of the Manager without charge to the investor. They must make such transmittal wherever practical by same day courier, priority post or telecommunications facility. The decision to accept or reject any order for units will be made within one business day of receipt of the order by the Manager. In the event that any purchase order is rejected, we will immediately return to the subscriber all monies received with the order without interest.

We must receive the correct payment for your purchase of units of the Fund within three business days of processing your order. If we do not receive payment within that time, we will redeem your units on the next business day. If the proceeds are greater than the amount you owe us, the Fund keeps the difference. If the proceeds are less than the amount you owe, your dealer will be required to reimburse the Fund for the difference and you may be responsible to your dealer depending upon your arrangements with your dealer.

Certificates

We do not issue certificates of ownership for units of the Fund.

Switching of Units

You can at any time switch all or part of your investment in the Fund to another class of units of the Fund that you are eligible to purchase by contacting your registered broker or dealer. Changing to another class of units of the Fund is called a “reclassification”. Class A units and Class X units may be reclassified into Class F units if you meet the criteria established by us for Class F units. If you reclassify Class A units that are subject to the Low-Load Deferred Sales Charge into Class F units, you will be charged a reclassification fee equal to the amount of that Low-Load Deferred Sales Charge at the time the Class A units are reclassified.

Class F units may only be reclassified into Class A units. If you request to reclassify your Class F units to Class A units, you can choose the Sales Charge Option or the Low-Load Deferred Sales Charge Option.

Class A units or Class F units cannot be reclassified into Class X units.

If you cease to satisfy the criteria for holding Class F units, your Class F units will be reclassified as Class A units on the front-end sales charge (no commission) basis. Alternatively, if you satisfy the relevant criteria for another class once such units have begun to be offered, you may request that your Class F units be reclassified to such other class instead.

Upon a reclassification of your units of the Fund from one class to another class of the Fund, the number of units you will hold will likely change since each class of the Fund will generally have different NAV per unit. A reclassification will not be considered a disposition for tax purposes and, accordingly, you will not realize a capital gain or loss. The tax consequences are discussed in “Income Tax Considerations” beginning at page 21.

REDEMPTION OF UNITS

Price on Redemption

Units of the Fund may be redeemed at the option of the unitholder on the last day of each week (the “Redemption Date”). To redeem all or part of your units, contact your financial advisor, who may ask you to complete a redemption request form.

You redeem units at the NAV per unit, calculated on the Redemption Date. If we receive your redemption request on or before 4 p.m. ET on the Redemption Date, the redemption value will be calculated as of the Redemption Date. If we receive your redemption request after that time, the redemption will be processed as of the following Redemption Date and the redemption value will be calculated as of the following Redemption Date.

Processing Redemptions

The Manager encourages all investors to consult their financial advisors in connection with any redemption. Alternatively, applications for redemption may be forwarded to dealers and brokers for delivery to the Fund. Dealers and brokers must transmit the particulars of such application for redemption to the Fund without charge to the investor and must make such transmittal wherever practical by same day courier, priority post or telecommunications facility.

No payment of redemption proceeds is made until a duly completed request for redemption has been received from the registered holder of the units. Redemption requests:

- for redemption proceeds in excess of \$10,000, or
- that direct redemption proceeds to be paid to other than the registered investor or to an address other than the registered address of the investor

are, in each case, required to have signatures guaranteed by a Canadian chartered bank or trust company or by a member of a recognized stock exchange in Canada or any other guarantor acceptable to the Manager. If the investor is a corporation, partnership, agent, fiduciary or surviving joint owner, additional documentation is required. Investors should consult their financial advisor.

Where the Fund has received a duly completed application for redemption and all required documents, the Fund pays the redemption proceeds within three business days of the Redemption Date. If an investor fails to provide the Fund with a duly completed application for redemption within ten business days of the Redemption Date on which the class NAV per unit is determined for the purposes of the redemption, the Fund will issue to the investor, on such tenth business day, the same number of units as those that were redeemed. The redemption proceeds which would have been paid on the failed transaction are used to pay the purchase price. If the redemption proceeds

exceed the purchase price, the difference belongs to the Fund. If there is a shortfall, the dealer or broker pays to the Fund the amount of the shortfall. The dealer or broker may then be able to collect such amount, together with its costs and interest, from the investor on whose behalf the application was placed, depending on their arrangements with the investor. Where no dealers or brokers have been involved in an application for redemption, the Manager is entitled to collect the amounts described above from the investor who has failed to supply the proper application for redemption.

Payment for the units that are redeemed shall be made as described above, provided that the investor's cheque in payment for the purchase of any of the units being redeemed has cleared.

Unless an investor otherwise requests, the cheque representing the redemption proceeds is mailed to the address of the investor on the register of the Fund. As a convenience to registered investors of the Fund, the Manager will, if the investor so requests, have the proceeds delivered (i) by wire, or (ii) by electronic funds transfer ("EFT") to a designated bank account of the investor on the day on which the redemption proceeds are made available by the Fund to the Manager. A fee of \$25 will be charged on all wire transfers, however, there are no charges for EFT services, other than any costs or other fees that may be charged by the investor's financial institution.

Investors whose units are registered in the name of their dealer, broker or other intermediary must instruct their financial advisor to provide the Manager with a redemption request. As previously stated, redemption proceeds are paid only to registered holders, so investors holding through financial intermediaries should expect redemption proceeds to be paid into their account with their financial intermediary.

Redemption Charges

Sales Charge Option

Where an investor acquired Class A units or Class X units pursuant to the Sales Charge Option, no redemption charge applies. No fees or charges are otherwise deducted by the Fund on a redemption.

Low-Load Deferred Sales Charge Option

The redemption fees that apply to Low-Load Deferred Sales Charges will be those in effect at the time of your original purchase. When you redeem Class A units that were purchased under the Low-Load Deferred Sales Charge Option, the redemption fee starts at 2.5% in the first year and decreases over a three year period. If you hold your units for more than three years, you pay no redemption fee. The contingent Low-Load Deferred Sales Charge applicable to redemptions of units of the Fund is a specified percentage of the original cost of the units being redeemed (and not of the NAV at the time of redemption) and declines over time as set out in the following table:

If Redeemed During the Following Period After Date of Original Purchase	Contingent Low-Load Deferred Sales Charge as percentage of Original Cost
During the first year	2.50%
During the second year	2.00%

If Redeemed During the Following Period After Date of Original Purchase	Contingent Low-Load Deferred Sales Charge as percentage of Original Cost
During the third year	2.00%
Thereafter	0.00%

No redemption fees apply to the redemption of Class F units or Class X units.

With the Low-Load Deferred Sales Charge Option, your units are redeemed in the order they were purchased. That is, first in, first out.

Short Term Trading Fees

The Fund is designed to be a longer term investment. Trading often in order to time the market is generally not a good idea. Frequent trading can also hurt the Fund's performance, affecting all the investors in the Fund, by forcing the Fund to keep cash or sell investments to meet redemptions. A short-term trade will be determined to be inappropriate where there is a combination of a purchase and redemption within a short period of time that the Manager believes is detrimental to investors in the Fund or which may take advantage of the Fund's investment in securities priced in other time zones or illiquid securities that trade infrequently. Excessive short-term trading involves a combination of purchases and redemptions that occur within a period of time where the Manager believes that such trading is detrimental to investors in the Fund.

If you redeem within 90 days of purchase, or if we determine that inappropriate or excessive short-term trading has occurred, we reserve the right to charge a short-term trading fee of up to 2% of the NAV of the units you redeem, on top of any redemption fees that may apply. While the Manager attempts to monitor, detect and deter inappropriate and excessive short-term trading, we cannot ensure that such trading activity will be completely eliminated.

Suspension of Redemption Rights

The Manager reserves the right to suspend the right of redemption and to postpone the date of payment upon redemption for any period, but only in compliance with applicable securities regulatory policies. The right of redemption with respect to units of the Fund may be suspended during any period when normal trading is suspended on any exchange on which are traded portfolio securities or specified derivatives representing more than 50 percent by value of the total assets of the Fund without allowance for liabilities, provided that those portfolio securities or specified derivatives are not traded on another exchange that represents a reasonably practical alternative for the Fund. In addition, the right of redemption may be suspended with the consent of securities regulatory authorities. During any period of suspension of redemption rights, orders for units will not be accepted. In the case of suspension of the right of redemption, a unitholder may either withdraw an application for redemption or receive payment based on the applicable NAV next determined after the suspension has been lifted.

RESPONSIBILITY FOR FUND OPERATIONS

The Manager

Lawrence Asset Management Inc., a corporation incorporated under the laws of Ontario with offices located at 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4, is the Manager of the Fund. The phone number for the Manager is 1-866-404-4999, the e-mail address is info@lawrenceasset.com and the website address is www.lawrenceasset.com.

Lawrence Asset Management Inc. is a private, Toronto based, investment firm. It operates in a number of different business areas, including venture capital investing, public company investing.

Pursuant to the Declaration of Trust, the Manager is responsible for providing or arranging for administrative services required by the Fund including, without limitation, authorizing the payment of all fees and operating expenses, preparing financial statements, income tax returns, financial and accounting information as required, ensuring that unitholders are provided with financial statements (including unaudited interim and audited annual financial statements) and other reports and continuous disclosure materials, ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements, preparing the Fund's reports to unitholders and the Canadian securities regulatory authorities, determining the amount of distributions to be paid by the Fund, and retaining and negotiating contractual agreements with third party providers of services, including advisers, record keepers, auditors and printers.

The Manager may resign upon 60 days' notice to the Fund. The appointment of a successor manager requires the approval of a simple majority of unitholders unless it is an affiliate of the resigning manager, in which case no notice or approval of such unitholders is required. If the Manager commits certain events of bankruptcy or insolvency then the Manager shall be terminated immediately or if the Manager is in material breach or default of its obligations as Manager under the Declaration of Trust and such breach or default has not been cured within 30 days, unitholders may by extraordinary resolution remove the Manager and appoint a successor manager. The Manager and its affiliates shall not be entitled to vote any units then held at any meeting called to remove the Manager. The Manager will be terminated immediately upon the termination of the Fund pursuant to the provisions of the Declaration of Trust. Except as described above, the Manager cannot be terminated as manager and portfolio advisor of the Fund.

The management services of the Manager are not exclusive and nothing in the Declaration of Trust prevents the Manager or any of its affiliates from providing similar management services to other investment funds and other clients (whether or not their investment objective, strategies and policies are similar to those of the Fund) or from engaging in other activities.

Directors and Officers of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each director and officer are set out below:

Name and Municipality of Residence	Position with the Manager	Principal Occupation During Last Five Years
ANDREW BENTLEY Toronto, Ontario	Director	President & CEO, Navina Capital Corp., Senior Vice President Fairway Capital Management.
LARRY GUY Cambridge, Ontario	Chief Financial Officer	Vice President and Chief Financial Officer, Lawrence Asset Management Inc.; prior thereto Chief Financial Officer, Navina Capital Corp.
GLENN MACNEILL Toronto, Ontario	Chief Investment Officer	Chief Investment Officer, Lawrence Asset Management Inc.; prior thereto Vice President Investment Sentry Select Capital Corp.
HUGH MACLEAN Toronto, Ontario	Vice President	Vice President, Lawrence Asset Management Inc.
RAVI SOOD Toronto, Ontario	President, Chief Operating Officer and Director	President and Chief Operating Officer, Lawrence Asset Management Inc.
CATHERINE STRETCH Toronto, Ontario	Vice President	Vice President, Lawrence Asset Management Inc.

A description of the experience and background relevant to the business of the Fund for each of the directors and officers of the Manager is set out below.

Andrew Bentley has been in the financial services industry for over 8 years and is currently President and Chief Executive Officer of Navina Capital Corp. Prior thereto, Mr. Bentley was Senior Vice President at Fairway Capital Management Corp. where he headed sales and marketing efforts for the firm. From September 2003 until October 2005, Mr. Bentley was the President of NGB Management Inc. and the Manager of a \$120 million venture capital life science fund. He was a Vice President of Skylon Capital Corp. from July 2001 until the sale of that firm in September 2003. Mr. Bentley holds an Honours Bachelor of Science (Biology) degree from Queen's University and a Bachelor of Kinesiology degree from McMaster University.

Larry Guy is a Vice President at Lawrence Asset Management Inc., the Manager. Mr. Guy has 15 years of experience in the financial services industry. Prior to joining the Manager, he was the Chief Financial Officer of Navina Capital Corp. from 2006 to 2009. Mr. Guy was also the Vice President of Fairway Capital Corp. from 2004 to 2006. Mr. Guy obtained his B.A. degree in Economics from the University of Western Ontario.

Hugh Maclean joined the firm in 2004. Previously he worked at RBC Financial Global Securities Services in the Prime Brokerage Services department, most recently as a Hedge Fund Account Manager. Mr. Maclean was also with Investors Group Financial Services Inc. as an Investment Representative. He holds a Bachelor of Arts in Economics from York University and a Bachelor of Arts in Anthropology from McMaster University and also holds the Canadian Investment Manager designation.

Glenn MacNeill has more than 30 years of financial and petroleum-related experience, including portfolio management, corporate finance and equity/debt analysis. Prior to joining Lawrence Asset Management Inc., Mr. MacNeill spent nine years with Sentry Select Capital Corp. as Vice-President, Investment where he served as the principal portfolio manager of Sentry Select Energy Growth Fund, Sentry Select Canadian Resource Class and the NCE Flow-Through investment funds. He has extensive experience in oil & gas royalty trusts, energy companies and private investment opportunities. He served as an oil & gas research analyst at HSBC Securities and an energy equity analyst with Scotia Capital Markets, where he covered integrated oil companies and a selection of petroleum companies. He also served as a portfolio manager with Imperial Life/Laurentian Financial Inc. for six years. Mr. MacNeill is a Professional Engineer and received a Bachelor of Science Degree in Mechanical Engineering from Queen's University in Kingston, Ontario.

Ravi Sood is the President and Chief Operating Officer of the Manager. Mr. Sood has been employed by the Manager or its affiliates since 1998. Mr. Sood has primary oversight for investment funds managed by the Manager and is responsible for the strategic direction of the Manager. Mr. Sood was previously employed by a major international investment bank. Mr. Sood holds a Bachelor of Mathematics with distinction from the University of Waterloo.

Catherine Stretch is responsible for all marketing, communications and investor relations activities and is actively involved in the day-to-day operations of the funds. She is also engaged in developing new funds for investors and implementing unique structures to deploy assets in investment opportunities internationally. Prior to joining Lawrence Asset Management Inc., Ms. Stretch worked in international business development in Southeast Asia for several years. She holds a Masters of Business Administration from the Schulich School of Business at York University and a Bachelor of Arts in Economics from the University of Western Ontario.

The Manager is required to exercise the powers and discharge the duties of its office as manager honestly, in good faith and 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 person would exercise in similar circumstances.

Portfolio Advisor

The Manager will also act as portfolio advisor to the Fund. The team primarily responsible for investment decisions is comprised of 2 employees of the Manager who have significant experience in the investment industry: Glenn MacNeill and Ravi Sood. Each of them is described above under "Directors and Officers of the Manager".

Brokerage Arrangements

The Manager has been delegated authority to determine the brokerage arrangements of the Fund. Decisions that the Manager may make as to the purchase and sale of portfolio securities and the execution of portfolio transactions for the Fund, including the selection of markets and dealers and the negotiation of commissions, are based on elements such as price, speed of execution, certainty of execution and total transaction costs.

Trustee

The Manager is also the Trustee of the Fund. Please also refer to “Fund Governance”.

The Independent Review Committee

The IRC (as defined below) is responsible for the oversight of the Manager. Please refer to “Fund Governance – The Independent Review Committee”.

Custodian and Valuation Agent

The portfolio assets of the Fund are held under the custodianship of State Street Trust Company Canada of Toronto, Ontario pursuant to a custody agreement dated July 5, 2006.

The custodian may appoint sub-custodians in the country or jurisdiction in which portfolio securities are traded or held. If a successor custodian is appointed, the custodian will deliver all of the Fund’s securities and other assets to such successor in an orderly manner in accordance with industry standards.

The custodian also acts as the accounting agent, providing fund accounting services to the Fund pursuant to the custody agreement. State Street Trust Company Canada also acts as the Valuation Agent of the Fund pursuant to a valuation service agreement dated August 30, 2005.

Auditors

The auditors of the Fund are Ernst & Young LLP of Toronto, Ontario. As currently required by applicable securities laws, unitholders of the Fund must be notified 60 days before any change in the auditors of the Fund is made.

Record Keeper

SGGG Fund Services Inc., the record keeper of the Fund, maintains the register of units of the Fund at its principal office in Toronto, Ontario.

CONFLICTS OF INTEREST**Principal Holders of Securities**

As at the date hereof, the Manager did not own, directly or indirectly, any units of the Fund.

The following is a list of persons that directly owned more than 10% of the Class A units or Class F units of the Fund as of December 18, 2009.

Name and Address of Unitholder	Class of Units	Number of Units owned	Percentage of Fund owned
W. Karchemny Ontario	Class A	7975	86.05%
P. Sheppard Ontario	Class A	1291	13.94%
M. Corey British Columbia	Class F	4049	19.31%
R. Martin British Columbia	Class F	2776	13.23%
L. Frederick British Columbia	Class F	4601	21.94%
J. Dobson British Columbia	Class F	4656	22.20%

The employees of the Manager own approximately 57% of the issued and outstanding common shares of the Manager.

The members of the IRC did not own, directly or indirectly, in aggregate, any class of voting or equity securities of the Manager, any class of voting securities of any person or company that provides services to the Fund or the Manager, or more than 10% of any class of units of the Fund as at the date hereof.

FUND GOVERNANCE

The Trustee

The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The Trustee or any successor trustee may resign upon 90 days' written notice to the Fund or may be removed if approved by an extraordinary resolution of unitholders. Any such resignation or removal shall become effective only on the appointment of a successor trustee. If the Trustee resigns, the Manager may appoint a successor trustee. If within 60 days of receipt of notice of the Trustee's resignation, the Manager fails to select a successor to the Trustee, the Trustee, or any unitholder may apply to a court of competent jurisdiction for the appointment of a successor to the Trustee. The unitholders may remove the Trustee at a meeting duly called for the purpose, in accordance with the Declaration of Trust. The unitholders may only remove the Trustee if they elect a successor trustee at the same meeting at which the Trustee was removed.

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 where the Trustee fails to act honestly and in good faith with a view to the best interests of the unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition,

the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee, in its capacity as trustee of the Fund, is not entitled to receive fees from the Fund but is entitled to be reimbursed by the Fund for all expenses that are reasonably incurred by the Trustee in connection with the activities of the Fund.

Policies on Conflicts of Interest

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services.

The services of the Manager are not, subject to certain exceptions, exclusive to the Fund. the Manager acts as the manager or portfolio advisor of other funds which invest primarily in income funds and which could be considered competitors of the Fund. In addition, the directors and officers of the Manager may be directors, officers, shareholders or securityholders of one or more issuers from which the Fund may acquire securities. The Manager or its affiliates may also be managers of one or more issuers from which the Fund may acquire securities.

Since the Manager, in its capacity as portfolio advisor of the Fund will continue to manage the investments of its other clients, the Manager may acquire or dispose of the same investment for the Fund and one or more of its other clients. However, because of different investment policies, the Manager may be selling an investment for one client and buying the same investment for another client. Under the Declaration of Trust, the Manager has agreed, in accordance with its policies and procedures, to allocate opportunities to acquire and dispose of investments fairly among the Fund and its other clients that have similar investment objective.

The Independent Review Committee

On November 1, 2006, National Instrument 81-107 – *Independent Review Committee for Investment Fund* (“NI 81-107”) came into force. NI 81-107 requires all investment funds that are reporting issuers, upon obtaining a receipt for a final prospectus, to establish an Independent Review Committee (the “IRC”).

NI 81-107 imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters (the “Policies”), maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The Policies have been adopted by the Manager and are being reviewed and commented upon by the IRC.

The IRC must be comprised of a minimum of three independent members, and is required to conduct regular assessments and provide reports to the Manager and to unitholders in respect of its functions. 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 as of April 9, 2009. The IRC has adopted a written charter that sets forth its mandate, responsibilities and functions and the policies and procedures it will follow when performing its functions. The IRC will review all conflict of interest matters referred to it by the Manager and make recommendations on whether a

course of action achieves a fair and reasonable result for the Fund. Only upon making that determination will the IRC recommend to the Manager that the transaction proceed.

The IRC will also review and assess the adequacy and effectiveness of the Manager's Policies, of any standing instruction the IRC may have provided to the Manager, of the Manager's and the Fund's compliance with any conditions which the IRC may have imposed in a recommendation or approval which it may have provided to the Manager and of any subcommittee to which the IRC may have delegated any of its functions.

Policies on Proxy Voting

The proxies associated with units held by the Fund will be voted in accordance with the best interests of unitholders determined at the time the vote is cast. The Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. Any conflict of interest must be resolved in a way that most benefits unitholders.

The Manager's proxy voting policies and procedures set out various considerations that the Manager will address when voting, or refraining from voting, proxies, including that:

- (a) the Manager will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management's position would not be in the best interests of unitholders;
- (b) the Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by shareholders of the issuer with a focus on the potential impact of the vote on the Fund's value; and
- (c) the Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Manager determines that it is not in the best interests of unitholders to cast a vote, or in cases where no value is added by voting, there is no requirement to vote.

The policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling toll free 1-866-404-4999 or by writing to the Fund at 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4.

The Fund's proxy voting record for the most recent period ended June 30 of each year will be available free of charge to any unitholder of the Fund upon request at any time after August 31 of the current year. The proxy voting record will also be available on the Lawrence Asset Management Inc. internet site at www.lawrenceasset.com.

Short-Term Trading

The Fund is intended to be long-term investment vehicle and is not designed to provide investors with a means of speculating on short-term market movements or fluctuations. Investors

who engage in excessive transfer or redemption activity in and out of the Fund (commonly referred to as market timing) generate additional costs which are borne by all of the Fund's unitholders. As well, such activities can interfere with the Fund's orderly investment management as the Fund may be required to sell portfolio assets to fund redemptions arising from market timing. Such sales may be at unfavourable times and/or impede the use of long-term investment strategies which may harm investment performance. In order to address these concerns, LAMI reserves the right to reject any transfer or purchase request that is reasonably determined to be disruptive to efficient portfolio management, either because of market timing of the investment or previous excessive trading by the securityholder. A short-term trading fee of up to 2% of the current value of the units switched or redeemed will be charged by the Fund if you invest in the Fund for less than a 90-day period.

MANAGEMENT FEE DISTRIBUTIONS

The Manager encourages large investments in the Fund through the Sales Charge Option and tries to achieve competitive management fees. From time to time the Manager may agree to arrange for the management and advisory fee and/or the operating expenses payable in respect of an investment to effectively be reduced.

Any such reduction will be conditional on the amount of the reduction being distributed to the relevant investor as a special distribution that is reinvested in additional units of the Fund (a "Management Fee Distribution"). Management Fee Distributions are calculated and credited weekly and are distributed at such times as may be agreed to by the Manager at the time the Management Fee Distribution arrangement is established for a particular investor, generally first out of net income and net capital gains of the Fund and thereafter, if necessary, out of capital. As a result of the Fund paying a reduced management fee to the Manager in connection with a Management Fee Distribution, there will be less expense to offset net income from the Fund. The excess amount will be distributed solely to the particular unitholder and other unitholders will not be affected.

Management Fee Distributions must be negotiated on a case-by-case basis by the investor or the investor's dealer with the Manager and are based primarily on the size of the investment in the Fund. Generally, these arrangements would only be considered for investments greater than \$1,000,000 or for employee related accounts. The Manager will confirm in writing to an investor's dealer the details of any Management Fee Distribution arrangement.

The reduction in management fees and/or operating expenses, Management Fee Distributions will not have adverse tax consequences to the Fund.

DISTRIBUTIONS

The Fund intends to use distributions received from the securities included in the portfolio, as follows: (i) to pay expenses of the Fund and (ii) to make distributions to unitholders. Distributions from the portfolio of the Fund may also be used for other purposes, such as funding redemptions of units, as are deemed appropriate by the Manager. The Fund does not intend to liquidate its holdings in the portfolio in order to make monthly cash distributions to unitholders.

The Fund intends to provide unitholders with monthly cash distributions in an amount which equals, to the extent possible, the aggregate distributions received from the securities included in the portfolio less expenses of the Fund.

Distributions with respect to Class A units and Class F units are automatically reinvested without charge in additional Class A units or Class F units, as applicable, of the Fund unless you ask in writing to receive such distributions in cash. Distributions with respect to Class X units will be paid out in cash, unless you ask in writing to have such distributions automatically reinvested without charge in additional Class X units of the Fund.

REGISTERED PLANS

Units of the Fund may be purchased pursuant to an investor's self-administered Registered Plan.

The Tax Act limits the amount which may be contributed by an investor to a Registered Plan. An individual considering contributing to, or terminating, such a plan is advised to consult his or her own professional advisors as to the tax aspects of such transactions, the regulations governing such plans and how these may apply to the investor's own particular situation.

INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who is an individual (other than a trust), who acquired units and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with, and is not affiliated with, the Fund and holds the units as capital property. Generally, units will be considered to be capital property to a unitholder provided that the unitholder does not hold the units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain unitholders who might not otherwise be considered to hold their units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the election permitted by subsection 39(4) of the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Proposed Amendments") and counsel's understanding of the current administrative and assessing policies and practices of the CRA published in writing by it prior to the date hereof. This summary assumes that the Proposed Amendments will be enacted as proposed although no assurance can be given in this regard. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in units, and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire units. Moreover, the income and other tax consequences of acquiring, holding or disposing of units will vary according to the status of the investor, the province or provinces in which the investor resides or carries on business and, generally, the investor's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular investor. **Unitholders should consult their own tax advisors with respect to the income tax consequences of investing in units, based upon the investor's particular circumstances.**

This summary is based on the assumption that the Fund will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act. In order to so qualify, the Fund must comply on a continuous basis with certain investment restrictions and certain minimum distribution requirements relating to the units. In addition, the Fund may not reasonably be considered to be established or maintained primarily for the benefit of non-resident persons, unless since it was established all or substantially all of its property consisted of property other than taxable Canadian property. (Tax Proposals released March 27, 2007 will amend this provision such that a trust will not be disqualified as a mutual fund trust if it meets this property requirement at the time when it can reasonably be considered that the trust is being maintained for the benefit of non-resident persons) and, pursuant to certain Proposed Amendments (which are being considered further by the Department of Finance), at no time may more than 50% of the units be owned by non-residents and partnerships (other than "Canadian partnerships" as defined in the Tax Act). If the Fund were not to

qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially different.

This summary is also based on the assumption that none of the issuers of the securities held by the Fund will be foreign affiliates of the Fund or of any unitholder and that none of the securities held by the Fund will be interests in non-resident trusts, other than exempt foreign trusts, or participating interests, other than exempt interests, in foreign investment entities or tracking entities under the proposals to amend the Tax Act contained in Bill C-10, previously before the 39th session of Parliament (or successor provisions thereto).

SIFT Rules

The Tax Act contains rules (the “SIFT Rules”), which impose a tax on the non-portfolio earnings” of certain publicly traded trusts at a rate similar to the combined federal and provincial corporate rate. Similarly, certain publicly traded partnerships are subject to a special tax on their “non-portfolio earnings”, also levied at a rate similar to the combined federal and provincial corporate tax rate.

The Fund should not be subject to the tax imposed under the SIFT Rules provided it does not hold any “non-portfolio properties”. The Manager has determined that the Fund does not currently hold any “non-portfolio properties”.

Publicly traded trusts and partnerships in which the Fund has invested may be SIFTs subject to the SIFT Rules.

Taxation of the Fund

The Fund will be subject in each taxation year to tax 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 deducts in respect of the amounts paid or payable to unitholders in the year.

Where the Fund holds in its portfolio units of an income fund that is a trust, the Fund will be required to include in the calculation of its income such portion of the net income (including net taxable capital gains) of such income fund as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such income fund. Provided appropriate designations are made by the income fund, net taxable capital gains realized by the income fund and taxable dividends received by the income fund (including distributions from a SIFT trust that are deemed to be dividends) from taxable Canadian corporations that are paid or become payable to the Fund 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 its units in an income fund that is a trust to the extent that all amounts paid or payable in a year by the income fund 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 fund for the year. To the extent that the adjusted cost base to the Fund of its units in such an income fund is negative, the amount by which it is negative will be deemed to be a capital gain realized by the Fund and the Fund’s adjusted cost base of such units will be increased by the amount of such deemed capital gain.

Where the Fund holds in its portfolio limited partnership units of an income fund that is a limited partnership, 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 fund allocated to the Fund for the fiscal period of the income fund ending in the Fund's taxation year, whether or not a distribution is received. Under the SIFT Rules, the Fund's share of a SIFT partnership's "taxable non-portfolio earnings" in excess of the SIFT partnership's SIFT tax will be deemed to be a taxable dividend received by a taxable Canadian corporation. In general, the adjusted cost base to the Fund of its limited partnership units in such an income fund at a particular time will be equal to the actual cost of such limited partnership units plus the share of the income and capital gains of the income fund allocated to the Fund for fiscal years of the income fund ending before the particular time less the share of losses and capital losses of the income fund allocated to the Fund for fiscal years of the income fund ending before the particular time, and less the Fund's share of any distributions received from the income fund before the particular time. If the adjusted cost base to the Fund of its limited partnership units in such an income fund is negative at the end of a fiscal year of the income fund, the amount by which it is negative will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such limited partnership units will be increased by the amount of such deemed capital gain.

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

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may deduct over a five-year period the costs and expenses of issuing its units paid by the Fund.

On October 31, 2003, the Department of Finance released draft proposals regarding the deductibility of interest and other expenses (the "October 31 Proposed Amendments") for public comment. The October 31 Proposed Amendments propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a "reasonable expectation of cumulative profit", determined without reference to capital gains, from a business or property in order for a taxpayer to have a loss from the business or property resulting from the deduction of interest and other expenses. The Manager has advised counsel that it expects the Fund to have cumulative profit, determined without reference to capital gains, from its portfolio securities and, accordingly, the October 31, 2003 Proposed Amendments, if enacted in the form proposed, should not adversely affect the deduction by the Fund of interest and other expenses incurred by it. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31 Proposed Amendments would be released for comment at an early opportunity.

On a disposition of an investment held by the Fund that is capital property, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of such investment and any reasonable costs of disposition. The Fund has made an election so that it qualifies under the Tax Act as a mutual fund trust from the commencement of its first taxation year so that all of the Fund's investments that are "Canadian securities" (as defined in the Tax Act) are deemed to be capital property.

The Fund will be entitled for each taxation year throughout which it is a mutual fund to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an

amount determined under the Tax Act based on the redemptions of units during the year (“capital gains refund”). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemptions of units.

The Manager has advised that the Fund generally intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year. Therefore, provided the Fund makes distributions in each year of its net income for tax purposes and net realized capital gains, it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund.

Taxation of Unitholders

A unitholder will generally be required to include in computing income for a particular taxation year of the unitholder such portion of the net income, including net realized taxable capital gains, of the Fund for a taxation year as is paid or becomes payable to the unitholder in that particular taxation year, whether received in cash or units or reinvested in additional units.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, and the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or becomes payable to a unitholder will effectively retain its character and be treated as such in the hands of the unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and tax credit for eligible dividends.

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

The non-taxable portion of net realized capital gains of the Fund that are paid or become payable to a unitholder in a year will not be included in computing the unitholder’s income for the year. Any amount in excess of a unitholder’s share of the net income and the net realized capital gains of the Fund for a taxation year that is paid or becomes payable to the unitholder in such year will not generally be included in computing the unitholder’s income for the year but will reduce the adjusted cost base of units to the unitholder. To the extent that the adjusted cost base of a unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the unitholder from the disposition of the unit and the unitholder’s adjusted cost base will be increased by the amount of such deemed capital gain.

The NAV per unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time units are acquired. A unitholder who acquires units may become taxable on the unitholder’s share of such income and gains of the Fund.

Any additional units acquired by a unitholder on a distribution of income of the Fund or on a reinvestment of a distribution will generally have a cost equal to the amount of the income so distributed or reinvested, as the case may be. For the purpose of determining the adjusted cost base of units to a unitholder, when additional 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 at the time the additional units are acquired. 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.

Upon the disposition or deemed disposition by a unitholder of a unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the unitholder to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the unit to the unitholder immediately before the disposition.

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

Capital gains realized on the disposition of units or amounts designated by the Fund to a unitholder as taxable capital gains or as taxable dividends from taxable Canadian corporations may give rise to a liability for alternative minimum tax.

REMUNERATION OF DIRECTORS, OFFICERS AND TRUSTEE

No remuneration, fees or reimbursement of expenses are paid by the Fund to the directors or officers of LAMI. The IRC members each receive \$7,500 per annum plus \$500 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by LAMI in a manner that is fair and reasonable. For a description of the role of the IRC, see “Fund Governance – The Independent Review Committee” for more information.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to an investor in the units of the Fund:

- (a) the amended and restated declaration of trust dated August 27, 2007, as described under “Responsibility for Fund Operations – The Manager”.
- (b) the custody agreement between the Fund and State Street Trust Company Canada dated July 5, 2006, as described under “Responsibility for Fund Operations – Custodian and Valuation Agent”.
- (c) the valuation services agreement between the Fund and State Street Trust Company Canada dated August 30, 2005, as described under “Responsibility for Fund Operations – Custodian and Valuation Agent”.

- (d) the record keeping agreement between the Fund and SGGG Fund Services Inc. dated August 27, 2007, as described under “Responsibility for Fund Operations – Record Keeper”.

Copies of the foregoing material contracts may be inspected during ordinary business hours on any business day at the head office of the Fund are also available on the Internet site of SEDAR at www.sedar.com.

AUDITORS' CONSENT

We have read the simplified prospectus and annual information form of Navina Income & Growth Fund (formerly Lawrence Income & Growth Fund) (the "Fund") dated December 18, 2009 relating to the issue and sale of Class A units, Class F units and Class X units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned simplified prospectus and annual information form of our report dated March 26, 2009 to the unitholders of the Fund on the following financial statements:

- Statements of net assets of the Fund as at December 31, 2008 and 2007;
- Statement of investments of the Fund as at December 31, 2008; and
- Statements of operations and changes in net assets of the Fund for the years ended December 31, 2008 and December 31, 2007.

(signed) "Ernst & Young LLP"

Chartered Accountants

Licensed Public Accountants

Toronto, Canada

December 18, 2009

CERTIFICATE OF THE FUND, THE MANAGER, THE TRUSTEE AND THE PROMOTER

This annual information form of Navina Income & Growth Fund, together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces of Canada (except the Province of Quebec) and do not contain any misrepresentations.

DATED the 18th day of December, 2009

“Catherine Stretch”

Catherine Stretch
Chief Executive Officer
Lawrence Asset Management Inc. (as manager,
trustee and promoter of the Fund)

“Larry Guy”

Larry Guy
Chief Financial Officer
Lawrence Asset Management Inc. (as manager,
trustee and promoter of the Fund)

On behalf of the board of directors of Lawrence Asset Management Inc., as manager, trustee and promoter of the Fund:

“Andrew Bentley”

Andrew Bentley
Director

“Ravi Sood”

Ravi Sood
Director

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Navina Income & Growth Fund

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220 Bay Street, Suite 1500
Toronto, Ontario
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info@lawrenceasset.com
www.lawrenceasset.com

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements. You may obtain a copy of these documents at no cost by calling toll-free 1-866-404-4999, by asking your financial advisor or by e-mailing info@lawrenceasset.com. These documents and other information about the Fund, such as information circulars and material contracts, are also available on Lawrence Asset Management Inc.'s internet site at www.lawrenceasset.com or at www.sedar.com.