

**GLOBAL AGRIBUSINESS TRUST**  
**ANNUAL INFORMATION FORM**  
**DECEMBER 31, 2009**

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## **NAME, FORMATION AND HISTORY OF THE FUND**

Global Agribusiness Trust (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust declaration dated October 29, 2007 (the “Declaration of Trust”) by Navina Asset Management Inc. (“Navina” or the “Manager” or the “Trustee”) as trustee of the Fund. See “Management of the Fund — The Manager”. Navina Asset Management Inc. is also the portfolio manager of the Fund (the “Portfolio Manager”) and will implement the investment objectives, investment strategy and investment restrictions of the Fund. The principal office of the Fund and the Manager is located at 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4.

Effective January 1, 2010, the Manager, Navina Capital Corp., and Lawrence Asset Management Inc., effected an amalgamation of businesses and operations. The combined entity is named Navina Asset Management Inc.

The Fund completed its initial public offering (the “Offering”) on November 16, 2007 issuing 4,000,000 units at \$10.00 per unit for gross proceeds of \$40,000,000. Each unit is separated into one redeemable transferable trust unit (“Trust Unit”) and a Trust Unit purchase Warrant (“Warrant”). Each Warrant entitles the holder to purchase one Trust Unit at a subscription price of \$10.00 (the “Subscription Price”) on or before 5:00 p.m. (Toronto time) on November 30, 2010 (the “Warrant Expiry Time”). The Trust Units and Warrants are listed on the Toronto Stock Exchange under the symbols AGB.UN and AGB.WT, respectively.

The beneficial interest in the net assets and net income of the Fund is divided into redeemable, transferable Trust Units of the Fund, each of which represents an equal, undivided interest in the net assets of the Fund. See “Description of the Trust Units”.

### **Status of the Fund**

The Fund is not considered to be a “mutual fund” under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds, including National Instrument 81-102 – Mutual Funds of the Canadian Securities Administrators (“NI 81-102”). The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Trust Units are not “deposits” under the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

## **INVESTMENTS OF THE FUND**

### **Investment Rationale**

The Fund has been created to provide investors with exposure to the returns on an actively managed diversified portfolio comprised primarily of publicly-listed securities (the “Portfolio”) of issuers that are engaged in the demand and supply chains of the global agribusiness industry (“Agribusiness Issuers”). This will include companies in sectors such as agrichemicals, land and plantation, seed and fertilizer, bio-fuel, harvesting, biotechnology, crop protection and irrigation, aquaculture, farm machinery, transportation, food processing, retailing and manufacturing as well as companies that provide support to issuers in these sectors.

## **Investment Objectives**

The Fund's investment objectives are:

- (a) to provide holders of Trust Units ("Unitholders") with monthly distributions targeted to be \$0.0167 per Trust Unit; and
- (b) to provide Unitholders with long-term capital appreciation.

The Manager announced on December 29, 2009 that the distribution amount per Trust Unit, effective January 1, 2010, would be reduced from \$0.04167 to \$0.0167.

## **Investment Strategy**

To achieve its investment objectives, the Fund has been created to provide investors with exposure to the returns on an actively managed, diversified portfolio comprised primarily of publicly-listed securities of issuers that are engaged in the demand and supply chains of the global agribusiness industry, including producers, agrichemicals and seeds, agritechnology, biotechnology and agricultural commodities.

Agribusiness is generally defined as the business of feeding the world. It includes the entire spectrum of businesses related to food production — from planting to the processing, distribution and sales of the end product. The Portfolio Manager has compiled a proprietary database that is subject to ongoing review of global Agribusiness Issuers with market capitalizations greater than U.S.\$150 million in the following main global agribusiness areas:

- Producers — companies involved in the farming and cultivating of land, land crops and livestock, including plantations, aquaculture and biofuels;
- Agrichemicals and Seeds — companies focused on increasing efficiencies and yields to address a global decline in arable land per person, primarily via fertilizers and seed;
- Agritechnology — companies specializing in the production of agricultural equipment and infrastructure as well as systems for efficient water use;
- Biotechnology — companies focused on creating better quality, higher yielding and more weather resistant cereal crops and companies focused on promoting the health of livestock and its ability to resist disease; and
- Agricultural Value Adders — companies focused on food processing, packaging, shipping and distribution.

Also, companies may be included in the Portfolio that provide support to those involved in these agribusiness areas such as water treatment and climate change issuers. The companies in the investable universe are screened for inclusion in the Portfolio based on valuation, profitability, management quality, company specific events and industry trends.

The Portfolio is expected to consist of 40-60 Agribusiness Issuers that are a combination of best-in-class product/service, market leadership or incumbent challenger, beneficiary of agricultural pricing trends, superior growth profile, technology leaders and low valuation against its peers.

It is initially intended that at least 90% of the Portfolio's U.S. dollar currency exposure will be hedged back to the Canadian dollar. Other foreign currencies may be hedged in whole or in part at the discretion of the Portfolio Manager from time to time.

As a result of the expected growth prospects for the global agribusiness industry, and in order to allow the Portfolio Manager to capitalize on potential new and innovative opportunities in the sector, the Fund may invest up to 10% of its assets in Agribusiness Issuers that are not publicly traded.

Where appropriate, the Portfolio Manager may also invest in exchange traded funds that provide exposure to the global agribusiness industry.

#### *Foreign Currency Hedging*

The Fund is exposed to a number of foreign currencies. The Portfolio Manager takes currency exposure into account in managing the Portfolio. The Portfolio Manager initially intends that at least 90% of the Portfolio's U.S. dollar currency exposure will be hedged back to the Canadian dollar. Other foreign currencies may be hedged in whole or in part, at the discretion of the Portfolio Manager from time to time.

#### *Use of Options and Other Derivatives*

The Fund may invest in or use derivative instruments, other than commodity derivatives, for hedging purposes consistent with its investment objectives and investment strategy and subject to its investment restrictions. For example, the Fund may use derivatives, including foreign exchange hedges with the intention of offsetting or reducing risks associated with an investment or group of investments. No assurance can be given that the Fund will be hedged from any particular risk from time to time. The Fund 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 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.

#### *Loan Facility*

At the discretion of the Portfolio Manager, the Fund may enter into a loan facility (the "Loan Facility") with a financial institution. Initially, the Portfolio Manager does not expect to utilize the Loan Facility. However, the Portfolio Manager intends to utilize the Loan Facility when market conditions provide opportunities to attempt to increase the potential returns of the Fund by taking advantage of the spread between the potential return on additional investments in the Fund and the cost of borrowing the purchase price for such investments.

The Fund will not borrow an amount exceeding 25% of the value of the Fund's Total Assets (as hereinafter defined) (at the time of borrowing). The Loan Facility may be used by the Fund to purchase additional Portfolio securities and for working capital purposes. In the event that the amount outstanding under the Loan Facility at any time exceeds 30% of the value of the Total Assets, the Portfolio Manager will sell Portfolio securities in an orderly manner and use the proceeds thereof to reduce indebtedness so that the amount borrowed by the Fund under the Loan Facility does not exceed 30% of the value of the Total Assets.

The Fund may fix the interest rate on the portion of the Loan Facility used to purchase Portfolio securities to eliminate the risk of rising interest rates on that part of such Loan Facility. The Fund expects that the terms, conditions, interest rates, fees and expenses of and under the Loan Facility will be typical for loans of this nature. The lender will be at arm's length to the Fund, the Manager, the Portfolio Manager and its respective affiliates and associates. The Fund anticipates that the lender with respect to the Loan Facility will require the Fund to provide a security interest in some or all of its assets in favour of the lender to secure such borrowings. The Manager will ensure that any loan agreement will provide that in the event of default, the lender's recourse will be limited to the assets of the Fund.

### *Securities Lending*

In order to generate additional returns, the Fund may lend Portfolio securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower under which: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund 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 Income Tax Act (“Tax Act”); and (iii) the Fund will receive collateral security. If a securities lending agent is appointed for the Fund, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

### **Investment Restrictions**

The investment activities of the Fund are to be conducted in accordance with, among other things, the following investment restrictions which provide that the Fund will not:

- (i) invest more than 10% of the aggregate value of the assets of the Fund determined in accordance with the terms of the Declaration of Trust (“Total Assets”) in the securities of any single issuer, other than securities issued or guaranteed by the Government of Canada or a province or territory thereof;
- (ii) invest more than 25% of Total Assets in cash and cash equivalents;
- (iii) invest more than 10% of Total Assets in securities of issuers that are not publicly traded;
- (iv) invest more than 20% of Total Assets in securities of issuers domiciled in emerging markets (i.e., countries whose financial market is included in the Morgan Stanley Capital International World Emerging Markets Index from time to time);
- (v) invest more than 10% of Total Assets in exchange traded funds;
- (vi) invest more than 10% of Total Assets in “illiquid securities” as such term is defined in NI 81-102, as amended from time to time;
- (vii) make short sales or maintain short positions;
- (viii) own more than 10% of the outstanding securities of an issuer or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (ix) other than pursuant to the Loan Facility, borrow or enter into leverage transactions and, in respect of the Loan Facility, borrow amounts that in the aggregate are more than 25% of Total Assets, determined at the time of borrowing or the date such transactions are entered into;
- (x) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (xi) make or hold any investment, undertake any activity, take any action or omit to take any action that would result in the Fund failing to qualify as a “unit trust” or a “mutual fund trust” within the meaning of the Tax Act;

- (xii) with the exception of securities of the Fund's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, the Portfolio Manager or any of their affiliates, any officer, director or shareholder of the Manager or the Portfolio Manager, any person, trust, firm or corporation managed by the Manager, the Portfolio Manager or any of their affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or the Portfolio Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, any such transaction is effected through normal market facilities, pursuant to a non-pre-arranged trade, and the purchase price approximates the prevailing market price or is approved by the Manager's Independent Review Committee (as hereinafter defined);
- (xiii) own securities of an issuer if as a result of such ownership the Manager or the Portfolio Manager would, either directly or indirectly, hold or exercise control or direction over greater than 19.99% of the securities of such issuer;
- (xiv) invest in the securities of any non-resident corporation, trust or other non-resident entity (or of any partnership that holds such securities) if the Fund (or the partnership) 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 amounts in income pursuant to proposed section 94.1 or 94.3 of the Tax Act or invest in any non-resident trust other than an "exempt foreign trust", as set forth in a Notice of Ways and Means Motion released on November 9, 2006 to amend the Tax Act dealing with foreign investment entities and non-resident trusts (or amendments to such proposals or provisions as enacted into law or successor provisions thereto);
- (xv) invest in any security that is a "tax shelter investment" within the meaning of section 143.2 of the Tax Act;
- (xvi) invest in any security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act; or
- (xvii) make or hold any investments that would result in the Fund itself being subject to the tax for SIFT trusts as provided for in section 122 of the Tax Act (the "SIFT Rules").

If a percentage restriction on investment or use of assets or borrowing or financing arrangements 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 will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs (i), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv) and (xvi) above which must be complied with at all times and which may necessitate the selling of investments from time to time). 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 the restriction being complied with.

### **Eligibility of the Fund**

Provided that the Fund qualifies, and continues at all times to qualify, as a "mutual fund trust" within the meaning of the Tax Act or that the Trust Units are listed on the Toronto Stock Exchange (or

other designated stock exchange) and with respect to the Warrants only, provided that they are listed on the Toronto Stock Exchange (or other prescribed exchange), the Trust Units and Warrants will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

## **DESCRIPTION OF THE SECURITIES OFFERED BY THE FUND**

### **Warrants**

The following is a summary only and subject to, and is qualified in its entirety by reference to, the detailed provisions in the warrant indenture (the “Warrant Indenture”) dated November 16, 2007 between the Fund and Computershare Trust Company of Canada (the “Warrant Trustee”).

#### *Subscription Basis and Warrant Expiry Time*

Each Warrant entitles the holder to purchase one Trust Unit at the subscription price of \$10.00 per Trust Unit by notifying the Warrant Trustee between the first business day of any month and 5:00 p.m. (Toronto time) on the tenth business day of such month (“Warrant Notice Period”) up until the Warrant Expiry Time. Such Warrants will be exercised effective as at 5:00 p.m. on the tenth business day of the applicable month (“Warrant Exercise Date”). Warrants are also exercisable on November 30, 2010 prior to 5:00 p.m. on that date. Holders who exercise the Warrants will become holders of Trust Units (as hereinafter defined) issued through the exercise of the Warrants. Warrants not exercised prior to 5:00PM (Toronto time) on November 30, 2010 will be void and of no value. Upon the exercise of a Warrant, the Fund will pay a fee equal to \$0.15 per Warrant to the broker whose client is exercising the Warrant and \$0.10 per Warrant to the agents for the Offering (collectively, the “Agents”).

#### *The Warrant Trustee*

The Warrant Trustee has been appointed the agent of the Fund to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture. Holders of Warrants desiring to exercise such Warrants and purchase Trust Units should ensure that subscriptions and payment in full of the Subscription Price there for is received during the applicable Warrant Notice Period by the Warrant Trustee.

#### *Subscription Right*

All Unitholders hold their Trust Units and Warrants through a participant (a “CDS Participant”) in CDS Clearing and Depository Services Inc. (“CDS”). CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Fund and the Warrant Trustee, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of Trust Units were holders of record on the date of the closing of the Offering.

A subscriber may subscribe for the resulting whole number of Trust Units or any lesser whole number of Trust Units by instructing the CDS Participant holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding \$10.00 per Warrant for each Trust Unit subscribed for in accordance with the terms of this Offering to the CDS Participant which holds the subscriber’s Warrants.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber’s brokerage account, or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the

appropriate office of the CDS Participant. The entire Subscription Price for Trust Units subscribed for must be paid at the time of subscription and must be received by the Warrant Trustee during the applicable Warrant Notice Period. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the applicable Warrant Exercise Date to allow the CDS Participant to properly exercise the Warrants on its behalf. Unitholders are encouraged to contact their broker or other CDS Participant as each CDS Participant may have a different cut-off time.

Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not a citizen or resident of the United States of America, its territories or possessions or the agent of any such person and is not purchasing the Trust Units for resale to any such person.

Subscriptions for Trust Units made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Trust Units once submitted.

Holders of Warrants who wish to exercise their Warrants and receive Trust Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Trust Units issuable upon the exercise thereof are issued to the holder.

#### *Sale or Transfer of Warrants*

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Trust Units, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Trust Units, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant.

#### *Dilution to Existing Unitholders*

If a Unitholder wishes to retain its current percentage ownership in the Fund and assuming that all Warrants are exercised, it should purchase all of the Trust Units for which it may subscribe pursuant to the Warrants delivered under the Offering. If that Unitholder does not do so and other holders of Warrants exercise any of their Warrants, that Unitholder's current percentage ownership in the Fund will be diluted. The subscription rights in effect under the Warrants for Trust Units of the Fund issuable upon the exercise of the Warrants shall be subject to adjustment from time to time if, prior to the Warrant Expiry Time, the Fund shall:

- (a) subdivide, re-divide or change its outstanding Trust Units into a greater number of Trust Units;
- (b) reduce, combine or consolidate its outstanding Trust Units into a smaller number of Trust Units;
- (c) distribute to holders of all or substantially all of the Fund's outstanding Trust Units any securities of the Fund including rights, options or warrants to acquire Trust Units or securities convertible into or exchangeable for Trust Units or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassify the Trust Units or reorganize the capital of the Fund; or

- (e) consolidate, amalgamate, or merge the Fund with or into any other trust or other entity, or sell or convey the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption or retraction of Trust Units).

### **The Trust Units**

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All Trust Units have equal rights and privileges. Each Trust Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Trust Units are issued only as fully paid and are non-assessable. Trust Units will only be issued through the book-entry system administered by CDS. See “Trust Units — Book Entry Only System”.

The Declaration of Trust provides that the Fund may not issue additional Trust Units following completion of the Offering, except: (i) at a price that yields net proceeds of not less than 100% of net asset value (“NAV”) per Trust Unit calculated as of the close of business on the business day immediately prior to the pricing of such offering; (ii) by way of Trust Unit distributions; (iii) with the approval of Unitholders; or (iv) upon the exercise of the Warrants. Immediately after a pro-rata distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units may be consolidated such that each Unitholder will hold, after the consolidation, the same number of Trust Units as the Unitholder held before the non-cash distributions, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. Subject to the foregoing, the Fund may also allot and issue Trust Units or other securities at such time or times and in such manner as the Manager in its sole discretion shall determine.

### *Market Purchases*

The Portfolio Manager may purchase Trust Units if it determines that such purchases are in the best interest of Unitholders. Purchases of Trust Units by the Fund will be subject to compliance with any applicable regulatory requirements and limitations.

### *Book Entry Only System*

Registration of interests in, and transfers of, the Trust Units may be made only through the book entry only system of CDS. On the date of closing of the Offering, the Fund will deliver to CDS certificates evidencing the aggregate number of Trust Units subscribed for under the Offering. Trust Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Trust Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Trust Units. Upon purchase of any Trust Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Trust Units means, unless the context otherwise requires, the owner of the beneficial interest in such Trust Units.

The Fund, the Manager, the Portfolio Manager and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Trust Units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

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

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

### *Distribution Policy*

In accordance with the Fund's investment objective to provide Unitholders with monthly cash distributions, the Fund intends to make monthly distributions to Unitholders of record on the last business day of each month (each, a "Distribution Record Date"). Distributions will be paid on a business day designated by the Manager that will be no later than the 15th day of the following month (each, a "Distribution Payment Date"). The Fund does not have a fixed monthly distribution but determines and announces each December an expected distribution amount for the following calendar year.

## **SECURITYHOLDER MATTERS**

### **Meetings of Securityholders**

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 10% of the Trust Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum at any meeting of all Unitholders is one Unitholder present in person or represented by proxy except for the purpose of any meeting called to consider item (e) below under "Matters Requiring Securityholder Approval" in which case the quorum shall be Unitholder(s) holding 15% of the outstanding Trust Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each Trust Unit registered in the Unitholder's name.

The Fund does not hold annual meetings of Unitholders.

### **Matters Requiring Securityholder Approval**

Pursuant to the Declaration of Trust, the following matters require the approval of Unitholders by resolution passed by at least  $66\frac{2}{3}\%$  of the votes cast at a meeting called and held for such purpose (an "Extraordinary Resolution"), other than item (g), which requires approval of Unitholders by a simple majority vote at a meeting called and held for such purpose (an "Ordinary Resolution"):

- (a) a change in the investment objectives of the Fund as described under "Investments of the Fund — Investment Objectives";
- (b) a change in the investment strategy of the Fund as described under "Investments of the Fund — Investment Strategy";
- (c) a change in the investment restrictions of the Fund as described under "Investments of the Fund — Investment Restrictions";

- (d) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund;
- (e) except as described under "Organization and Management of the Fund — The Manager", a change of the Manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (f) except as described under "Organization and Management of the Fund — The Trustee", a change in the trustee of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (g) a change in the auditors of the Fund;
- (h) a reorganization (other than a Permitted Merger as defined below) with, or transfer of assets to, a mutual fund trust, if
  - i. the Fund ceases to continue after the reorganization or transfer of assets; and
  - ii. the transaction results in Unitholders becoming securityholders in the mutual fund trust;
- (i) a reorganization (other than a Permitted Merger as defined below) with, or acquisition of assets of, a mutual fund trust, if
  - i. the Fund continues after the reorganization or acquisition of assets;
  - ii. the transaction results in the securityholders of the mutual fund trust becoming unitholders of the Fund; and
  - iii. the transaction would be a significant change to the Fund;
- (j) a termination of the Fund, other than as described under "Securityholder Matters — Termination of the Fund";
- (k) an amendment, modification or variation in the provisions or rights attaching to the Trust Units;
- (l) the issuance of additional Trust Units, other than: (i) for net proceeds equal to or greater than 100% of the most recently calculated NAV per Trust Unit calculated immediately prior to the pricing of such issuance; (ii) by way of Trust Unit distribution or (iii) upon exercise of the Warrants; and
- (m) a reduction in the frequency of calculating the NAV per Trust Unit.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a "Permitted Merger") with another fund or funds, provided that:

- (a) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager (the "Affiliated Fund(s)");

- (b) Unitholders are permitted to redeem their Trust Units at a redemption price equal to 100% of the NAV per Trust Unit, less any costs of funding the redemption, including commissions, prior to the effective date of the merger;
- (c) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager and by the manager of the Affiliated Fund(s) in their sole discretion;
- (d) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- (e) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- (f) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for unitholders of each of the funds.

If the Manager determines that a merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least twenty (20) business days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

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

The Manager is the trustee of the Fund (the "Trustee"). The Trustee may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, including the rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders;
- (d) maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Fund as a "mutual fund trust" and a "unit trust" for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof;
- (e) provide added protection to Unitholders; or
- (f) effect a Permitted Merger.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Manager upon not less than 30 days' prior written notice to Unitholders.

### **Reporting to Securityholders**

The Fund's fiscal year is December 31. The annual financial statements of the Fund are audited by the Fund's auditors in accordance with Canadian generally accepted auditing standards. The auditors report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Manager ensures that the Fund complies with all applicable reporting and administrative requirements, including preparing and issuing unaudited interim financial statements.

The Manager keeps adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder does not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

### **Termination of the Fund**

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days' written notice by the Trustee provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose (the "Termination Date"); provided, however, that the Trustee may, in its discretion, on 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Trustee, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund or the Trustee determines to terminate the Fund in connection with a Permitted Merger. Upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination or, should the termination occur in connection with a Permitted Merger, any unliquidated assets may be distributed *in specie* rather than in cash, subject to compliance with any securities or other laws applicable to such distributions.

### **VALUATION OF PORTFOLIO SECURITIES OF THE FUND**

In determining the NAV of the Fund, at any time the Trustee takes into account the following:

- (a) the value of any cash on hand or on deposit, prepaid expenses, cash dividends and other distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) bonds, debentures and other debt securities shall be valued by taking the average of the bid and ask prices at the Valuation Time (as hereinafter defined) on the Valuation Date (as hereinafter defined). Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;

- (c) any security that is listed or dealt in on a stock exchange shall be valued at the sale price last reported at the Valuation Time on the Valuation Date on the principal stock exchange on which such security is traded, or, if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and asked price rather than at the last quoted closing price;
- (d) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- (e) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (f) illiquid securities shall be valued at the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of such securities may be made where the date on which the restriction will be lifted is known;
- (g) the value of any futures contract or forward contract shall be the gain or loss with respect thereto that would be realized if, at the Valuation Time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (h) debt-like securities and listed warrants shall be valued at the current market value thereof;
- (i) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;
- (j) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the applicable date on which NAV is determined; and
- (k) estimated operating expenses shall be accrued to the date as of which the NAV is being determined.

National Instrument 81-106 — Investment Fund Continuous Disclosure (“NI 81-106”) requires an investment fund, such as the Fund, to calculate its net asset value in accordance with 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”). 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, instead of the valuation principles described above. However, the Canadian securities regulatory authorities have issued a related decision (the “CSRA Decision”) which permits investment funds, such as the Fund, to calculate its net asset value in accordance with Canadian GAAP without giving effect to Section 3855 (“Modified GAAP”) for purposes other than issuing annual or interim financial statements, such as the issue and redemption of Trust Units.

Redemptions of Trust Units will be taken into account when calculating the NAV.

### **CALCULATION OF NET ASSET VALUE**

The NAV on a particular date is equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date; provided however, that where as a result of such calculation the basic NAV per Trust Unit is greater than the exercise price of the Warrants then a diluted NAV per Trust Unit is calculated. The NAV per Trust Unit on any day is obtained by dividing the NAV of the Fund on such day by the number of Trust Units then outstanding. The diluted NAV per Trust Unit is calculated by adding to the denominator the total number of Trust Units issuable pursuant to Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the exercise price of the Warrants. The diluted NAV per Trust Unit is deemed to be the resulting quotient.

#### **Reporting of Net Asset Value**

The NAV, NAV per Trust Unit and diluted NAV per Trust Unit is calculated as of 4:00 p.m. (Toronto time) or such other time as the Manager deems appropriate (the “Valuation Time”) every business day (each, a “Valuation Date”). Such information is provided by the Manager to Unitholders on request by calling toll-free 1-800-513-3868 or via the Internet at [www.navinacapital.com](http://www.navinacapital.com).

### **REDEMPTIONS**

#### **Annual Redemption of Trust Units**

Commencing in 2009, Trust Units were eligible to be surrendered annually for redemption during the period from April 15th until 5:00 p.m. (Toronto time) on the 20th business day before the last business day in May in each year (the “Notice Period”) subject to the Fund’s right to suspend redemptions in certain circumstances. Trust Units surrendered for redemption during the Notice Period are redeemed on the second last business day of May of each year (the “Annual Redemption Date”) and the Unitholder receives payment on or before the 15th day following the Annual Redemption Date.

Redeeming Unitholders are entitled to receive a redemption price per Trust Unit equal to the NAV per Trust Unit determined as of the Annual Redemption Date, unless a fully diluted NAV per Trust Unit (meaning, when the NAV per Trust Unit is greater than \$10.00, the NAV per Trust Unit adjusted to reflect the dilutive effect of the exercise of the outstanding Warrants) is calculated as of that date in which case the redeeming Unitholders receive the fully diluted NAV per Trust Unit, in either case less any costs and expenses incurred by the Fund in connection with funding the redemption (the “Annual Redemption Amount”). The NAV per Trust Unit or fully diluted NAV per Trust Unit as the case may be varies depending on a number of market factors, including interest rates and volatility in the equity markets.

#### **Monthly Redemption of Trust Units**

Trust Units may be surrendered for redemption in any month. Trust Units properly surrendered for redemption by a Unitholder prior to 5:00 p.m. (Toronto time) on the 10th business day before the last business day of a month will be redeemed on the second last day of that month (“Monthly Redemption

Date”) and the Unitholder will receive payment on or before the 15th day following such Monthly Redemption Date, subject to the Fund’s right to suspend redemptions in certain circumstances.

A Unitholder who properly surrenders a Trust Unit for redemption will receive the amount, if any, equal to the lesser of (A) 96% of the weighted average trading price of the Trust Units on the Toronto Stock Exchange during the 15 trading days preceding the applicable Monthly Redemption Date, and (B) the “closing market price” of the Trust Units on the principal market on which the Trust Units are quoted for trading on the applicable Monthly Redemption Date. The “closing market price” shall be an amount equal to (i) the closing price of the Trust Units if there was a trade on the applicable Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of the Trust Units if there was trading on the applicable Monthly Redemption Date and the market provides only the highest and lowest prices of the Trust Units traded on a particular day; or (iii) the average of the last bid and last asking prices of the Trust Units if there was no trading on the applicable Monthly Redemption Date. Notwithstanding the foregoing, a Unitholder who properly surrenders a Trust Unit for redemption during the Notice Period will receive the Annual Redemption Amount.

### **Exercise of Redemption Right**

An owner of Trust Units who desires to exercise redemption privileges thereunder must do so by causing a CDS Participant to deliver to CDS on behalf of the owner a written notice (the “Redemption Notice”) of the owner’s intention to redeem Trust Units. An owner who desires to redeem Trust Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the registrar and transfer agent of the Fund in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Except as provided under “Suspension of Redemptions”, by causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem Trust Units, an owner shall be deemed to have irrevocably surrendered his or her Trust Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which 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 the owner’s instructions will not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS Participant or to the owner.

### **Suspension of Redemptions**

The Manager may suspend the redemption of Trust Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the Total Assets, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the Canadian securities regulators where required, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which

payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first business day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

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

### **Manager of the Fund**

The Manager performs the management functions of the Fund pursuant to the Declaration of Trust. The Manager provides all administrative services required by the Fund and, on behalf of the Fund, retained the Portfolio Manager to provide the investment advisory and portfolio management services required by the Fund. The Manager carries on business at 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4.

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

Pursuant to the Declaration of Trust, Navina is the manager of the Fund and, as such, is responsible for making all investment decisions of the Fund in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager's duties include, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; 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 made by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

The Manager has retained the Portfolio Manager to provide investment advisory and portfolio management services with respect to the Portfolio and will monitor the Fund's investment strategy and ensure compliance with the Fund's investment restrictions.

### *Details of the Management Agreement*

Pursuant to the Declaration of Trust, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonably prudent person in the circumstances. The Declaration of Trust provides that the Manager will not be liable in any way for any default, failure or defect in the Portfolio held by the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as Manager until the termination of the Fund. The Manager may resign if the Fund is in breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not

been cured within 30 days' notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution (as hereinafter defined) of the Unitholders. In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager and appoint a successor Manager.

The Manager will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Manager on behalf of the Fund as described under "Fees and Expenses — Ongoing Fees and Expenses". In addition, the Manager and each of its directors, officers, employees, shareholders and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against, the Manager, or any of its directors, officers, employees, shareholders or agents, in the exercise of its duties as Manager, except those resulting from the Manager's wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or material breach or default by the Manager of its obligations under the Declaration of Trust.

*Officers and Directors of the Manager of the Fund*

The name and municipality of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupation are as follows:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
ANDREW BENTLEY Toronto, Ontario	President and Director	President, Navina Asset Management Inc.
LAWRENCE GUY Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Navina Asset Management Inc.
RAVI SOOD Toronto, Ontario	Chief Executive Officer and Director	Chief Executive Officer, Navina Asset Management Inc.
CATHERINE STRETCH Toronto, Ontario	Chief Operating Office	Chief Operating Officer, Navina Asset Management Inc.
HUGH MACLEAN Toronto, Ontario	Vice-President	Vice-President, Navina Asset Management Inc.

The following is a brief description of the background of the directors and officers of Navina.

**Andrew Bentley.** Mr. Bentley has been in the financial services industry for over 10 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.

**Lawrence Guy.** Mr. Guy has ten years experience in the specialty investment fund business working with retail structured products, closed-end funds, and various specialty limited partnerships. Mr. Guy is currently Chief Financial Officer and Executive Vice President of Navina Capital Corp. Formerly as Vice President of Fairway Capital Management Corp. Mr. Guy had responsibility for product development and marketing. Prior to working at Fairway Capital Management Corp. Mr. Guy held senior management roles with First Trust Portfolios of Toronto, Canada and Lawrence & Company Inc. Mr. Guy holds a B.A. (Economics) degree from the University of Western Ontario. Mr. Guy is a Chartered Financial Analyst

**Ravi Sood.** Mr. Sood is a leading Canadian money manager with an international mandate and a successful track record of generating wealth for his clients. Recognized by his peers as one of the country's best venture capitalists and financiers, Mr. Sood also gained mindshare as a shareholder activist and a media commentator on the income trust sector. Most recently, Mr. Sood's thought leadership encompasses India's investment potential, the agriculture sector and venture capital in Canada. Prior to joining Navina in 1998 when the firm was called Lawrence & Co., Mr. Sood was employed by a major international investment bank. In 2001, Mr. Sood co-founded Lawrence Asset Management Inc., where he served as President and COO, responsible for the firm's direction, leadership and strategy for investing activities. He is currently a director of a number of public and private companies, including Trinorth Capital Inc. and Phoenix Coal Inc., and a non-executive Chairman of Feronia Inc. and Consilium Training Services. He holds a Bachelor of Mathematics with distinction from the University of Waterloo, Ontario.

**Catherine Stretch.** Ms. Stretch is responsible for all communications and investor relations activities and oversees the day-to-day operations of the firm. She is also engaged in developing new funds for investors and for implementing unique structures to deploy assets in investment opportunities internationally. Prior to joining Navina, Ms. Stretch working in international business development in Southeast Asia for several years. She holds an MBA from the Schulich School of Business at York University and a Bachelor of Arts in Economics from the University of Western Ontario..

**Hugh Maclean.** Mr. Maclean joined the firm in 2004. Previously he worked at RBC Financial Global Securities 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.

### **The Portfolio Manager**

The Portfolio Manager is located at 220 Bay Street, Suite 1500, Toronto, Ontario, Canada, M5J 2W4. As at December 31, 2009, the Portfolio Manager had approximately \$275 million in assets under management. Examples of funds managed by the Manager include High Income Preferred Shares Corporation (“HI Prefs”), Tax Optimized Return Oriented Securities Trust (“TOROS”), Lawrence Enterprise Fund Inc., Navina Income & Growth Fund, Lawrence India Fund, Lawrence Partners Fund and Navina Opportunities Fund.

Navina is a specialized global asset management firm with interests in the resource sector around the world. Through partnerships in Europe, Asia and Africa, the Portfolio Manager has seeded companies in the areas of biofuel, forestry & plantations, mining, and oil & gas. Navina structures resource investments to match management teams, capital, and assets globally to bring resources and commodities into production and create monetization opportunities at higher valuations for investors.

Navina takes a private equity approach to public markets, engaging in extensive research and analysis of global resource and commodity trends and companies poised to take advantage of them. Relationships with global investment banks ensure Navina has extensive access to top level research

reports and analysts and partnerships with overseas fund managers in Europe, the Middle East, Asia and South America provide access to unique global deal flow in the resource sector.

*Details of the Portfolio Management Agreement*

The Portfolio Manager provides investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to a portfolio management agreement (the “Portfolio Management Agreement”) to be entered into on or prior to the closing of the Offering between the Manager, the Fund and the Portfolio Manager. Decisions regarding the purchase and sale of Portfolio securities and the execution of transactions for the Portfolio are made by the Portfolio Manager, in accordance with and subject to the terms of the Portfolio Management Agreement. Subject to the terms of the Portfolio Management Agreement, the Portfolio Manager implements the investment strategy for the Portfolio on an ongoing basis.

Under the Portfolio Management Agreement, the Portfolio Manager covenants 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 person would exercise in the circumstances. The Portfolio Management Agreement provides that the Portfolio Manager will not be liable in any way to the parties indemnified under the Portfolio Management Agreement for any default, failure or defect in any of the securities comprising the Portfolio if it satisfied the standard of care, diligence and skill set forth above. The Portfolio Management Agreement further provides that the Portfolio Manager will not be liable for any losses in the NAV of the Fund if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Portfolio Management Agreement, the Portfolio Manager and its officers, directors and employees shall be indemnified, from the assets of the Fund, against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Portfolio Management Agreement, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Portfolio Management Agreement or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person’s duties under the Portfolio Management Agreement.

The Portfolio Management Agreement, unless terminated as described below, will continue until the Termination Date (defined under “Description of the Securities Offered by the Fund — Termination of the Fund”). The Portfolio Manager may terminate the Portfolio Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days’ notice; (ii) in the event that the Manager is in material breach of the Portfolio Management Agreement and the material breach has not been cured within 20 business days’ notice thereof to the Manager; (iii) if there is a material change in the investment objectives, strategy and/or restrictions of the Fund to which the Portfolio Manager has not previously 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 Portfolio Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 60 days’ notice; (ii) in the event that the Portfolio Manager is in material breach of the Portfolio Management Agreement and the material breach has not been cured within 20 business days’ notice thereof to the Portfolio Manager; (iii) if there is a dissolution and commencement of winding-up of the Portfolio Manager; (iv) if the Portfolio Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of the creditors or a receiver is appointed in respect of the Portfolio Manager or a substantial portion of the assets of the Portfolio Manager; (v) if the assets of the Portfolio Manager become subject to seizure or confiscation by any public or governmental organization; (vi) if the Portfolio Manager has lost any registration, license or other

authorization or cannot rely on an exemption therefrom required by the Portfolio Manager for it to perform the services delegated to it thereunder; or (vii) if the Portfolio Manager has breached its standard of care or acted with wilful misconduct, fraud or negligence.

The Portfolio Management Agreement will not be subject to termination under clause (ii) in the preceding paragraph if a material breach by the Portfolio Manager cannot be cured within 20 business days' notice thereof but the Portfolio Manager 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 purchases or sells a security for the Portfolio or takes any other action with respect to the assets of the Portfolio that through inadvertence violates any investment strategy or restriction set forth in the Portfolio Management 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 takes action that returns the Portfolio to compliance with such investment strategy or restriction within the cure period described above, as the same may be extended by agreement in writing by all the parties to the Portfolio Management Agreement.

In the event that the Portfolio Management Agreement is terminated as provided above, the Manager shall promptly appoint one or more successor investment advisors to carry out the activities of the Portfolio Manager until a meeting of Unitholders is held to confirm such appointment.

The Manager is responsible for payment of the investment management fees of the Portfolio Manager out of the Management Fee (as hereinafter defined). See "Fees and Expenses — Ongoing Fees and Expenses".

The services of the Portfolio Manager and its officers and directors are not exclusive to the Fund. The Portfolio Manager, or any of its affiliates, may serve as an investment manager for other investment vehicles with similar investment objectives, strategies or restrictions 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 any of the Portfolio Manager or its affiliates serves 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 will allocate among clients, insofar as it is possible, such purchases or sales in accordance with its trade allocation policies in effect from time to time, generally on a *pro rata* basis. See "Other Material Information - Risk Factors".

## **The Trustee**

The Manager is the trustee of the Fund under the Declaration of Trust, and is responsible for managing all of the Fund's activities. The address of the Manager is 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4.

Pursuant to the Declaration of Trust, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Manager will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. The Manager and each of its directors, officers, and employees will be indemnified by the Fund 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 Manager 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 wilful 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.

Unless the Manager resigns or is removed as described below, the Manager will continue as trustee until the termination of the Fund. The Manager or any successor trustee may resign upon 60 days' written notice to Unitholders, and the Manager is deemed to have resigned in certain circumstances, including if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution of the Unitholders in the event the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default had not been cured within 20 business days' notice of such breach or default. Any such resignation or removal shall become effective only upon the appointment of a successor trustee. If the Manager resigns or is removed by Unitholders, its successor must be approved by Unitholders. If, after the resignation or removal of the Manager, no successor has been appointed within 90 days, the Manager 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 Fund shall be terminated.

The Manager is entitled to fees for its services under the Declaration of Trust as described under "Fees and Expenses — Ongoing Fees and Expenses" and will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Manager on behalf of the Fund.

The services to be provided by the Manager under the Declaration of Trust are not exclusive to the Fund and nothing in the Declaration of Trust prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their activities are similar to those of the Fund) or from engaging in other activities.

#### *Termination of the Trustee*

The Trustee may, on 30 days' written notice, be removed for any reason by the Manager with the approval of a majority of the votes cast at a meeting of Unitholders called for such purpose. The Trustee may resign upon 60 days' written notice to the Unitholders and the Manager. The Trustee shall be deemed to have resigned upon certain acts of bankruptcy or insolvency with respect to the Trustee, or if the Trustee ceases to be qualified to act as trustee in accordance with applicable law.

In the event the Trustee resigns or is removed as provided above, a replacement trustee shall generally be nominated by the Manager and elected by a majority of votes cast at a special meeting of the Unitholders called for this purpose, or, in the case of removal by Unitholders, at the meeting at which the Trustee's removal was approved. The removal or resignation by the Trustee will only become effective on the acceptance of appointment by a replacement trustee. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee seeking to be removed, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a replacement trustee.

#### **The Custodian**

State Street Trust Company Canada (the "Custodian") is the custodian of the Fund pursuant to a custodian agreement between the Fund and the Custodian (the "Custodian Agreement"). The Custodian's principal place of business in respect of the Fund is Toronto, Ontario. The Custodian Agreement provides that the Custodian, except as described below, receives and holds all cash, portfolio securities and other assets of the Fund for safekeeping. The Custodian receives fees for custodial services provided to the Fund. In the event that any portfolio assets are acquired by the Fund that cannot be held in Canada, the Custodian may appoint sub-custodians who are qualified to act as such.

In carrying out its duties, the Custodian is required to exercise:

- (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or
- (b) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (a) above.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund's property. In no event shall the Custodian be liable for any consequential or special damages. The Fund shall indemnify and save harmless the Custodian, and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement incurred by such indemnified parties in connection with custodial or sub-custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

The Custodian Agreement provides that the agreement may be terminated by either party at any time on 60 days' written notice unless a different period is agreed to. Either party may terminate the Custodian Agreement immediately in the event that either party is declared bankrupt or shall be insolvent, the assets or the business of either party shall become liable to seizure or confiscation by a public or governmental authority, or the Manager's powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

#### **Auditor**

The auditors of the Fund are Ernst & Young LLP, 222 Bay Street, Toronto-Dominion Centre, Toronto, Ontario M5K 1J7.

#### **Registrar and Transfer Agent**

Computershare Investor Services Inc., at its principal offices in Toronto, is the registrar, transfer agent and distribution agent for the Trust Units pursuant to a registrar, transfer agency and distribution agency agreement to be entered into as of the date of the closing of the Offering.

### **CONFLICTS OF INTEREST**

#### **Principal Holders of Securities**

To the knowledge of the Manager, as at March 31,2009, no person or company owns, beneficially or of record, either directly or indirectly, or exercises control or direction over more than 10% of the Trust Units.

To the knowledge of the Manager, as at March 31,2009, the directors and senior officers of the Manager, in aggregate, do not own, beneficially or of record, either directly or indirectly, or exercise control or direction over more than 10% of the Trust Units or more than 10% of the voting securities of any person or company that provides services to the Fund.

The Manager is owned and controlled by senior management of the Manager. Senior management directly or indirectly owns both beneficially and of record all the issued and outstanding share capital of the Manager.

The members of the Independent Review Committee (as hereinafter defined) do not own beneficially, directly or indirectly, in aggregate: (a) any class of voting or equity shares of the Manager; (b) more than 10% of any class of voting securities of any person or company that provides services to the Fund or the Manager; or (c) more than 10% of the Trust Units of the Fund.

## FUND GOVERNANCE

### Independent Review Committee

In accordance with National Instrument 81-107 – Independent Review Committee for Investment Funds (“NI 81-107”), the Manager has established an independent review committee (the “Independent Review Committee”) for all of the investment funds, including the Fund, managed by the Manager.

The Independent Review Committee is composed of three individuals, each of whom will be independent of the Manager and its affiliates. The members of the Independent Review Committee are John Crow, Amar Bhalla and John Mills and their biographies are as follows:

**John Crow.** Mr. Crow is the former Governor of the Bank of Canada and a noted economist. He is a director or advisor to a number of companies, and is also a Senior Fellow of the C.D. Howe Institute. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the International Monetary Fund (the “IMF”) to evaluate IMF bilateral, regional, and multilateral surveillance activities, and in 2002, he took part in a high level international mission to advise on monetary problems in Argentina. In 2003, he chaired an international task force commissioned by the International Federation of Accountants to examine the loss of credibility in financial reporting and how to restore it. Mr. Crow is the author (2002) of *Making Money: An Insider’s Perspective on Finance, Politics, and Canada’s Central Bank*.

**Amar Bhalla.** Mr. Bhalla is the President of Capit Investment Corp., an investment management firm focused on private equity and venture capital. He is also a partner at HB Investments Ltd., a firm focused on developing structured products for the retail marketplace. He recently served as Chief Executive Officer of Crescent Logic Inc., a Toronto-based software firm. Prior to joining Crescent Logic, Mr. Bhalla allocated capital in both public and private ventures on behalf of Toronto-based investment groups. Mr. Bhalla received his C.F.A. designation in September 2004 and received his Bachelor of Arts degree from McGill University in June 1999.

**Carrie Freeborough.** Ms. Freeborough has over 15 years of experience in equity sales and trading. Most recently, Ms. Freeborough was the Head of Canadian Sales/Trading at Citigroup Global Markets Canada for their newly opened equity trading desk in Toronto. She was responsible for starting, building and running the Institutional Equity desk which will trade global securities for Canadian Institutional clients. Previous to her role at Citi, Ms. Freeborough had been at UBS Securities for 8 years where she was an Executive Director. Ms. Freeborough had a number of roles over her time at UBS including starting and running their program trading desk. She has an undergraduate degree in Fine Arts from University of Western Ontario and an MBA from The Richard Ivey School of Business

The Independent Review Committee, fully operational since November 1, 2007, functions in accordance with the applicable securities laws NI 81-107. In accordance with NI 81-107, the mandate of the Independent Review Committee is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager or the Portfolio Manager are subject when managing the Fund and the other investment funds it manages. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Fund and the other investment funds managed by it, and request input from the Independent Review Committee on how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The

Independent Review Committee provides its recommendations to the Manager with a view to the best interests of the Fund and the other investment funds managed by the Manager. The Independent Review Committee reports annually to Unitholders as required by NI 81-107. The reports of the Independent Review Committee are available free of charge from the Manager on request by contacting the Manager at (416) 362-4999 and are posted on the Manager's website at [www.navinacapital.com](http://www.navinacapital.com). The annual report of the Independent Review Committee will become available on or about March 31 in each year.

The compensation and other reasonable expenses of the Independent Review Committee will be paid *pro rata* out of the assets of the Fund, as well as out of the assets of the other investment funds for which the Independent Review Committee acts as an independent review committee.

### **Proxy Voting Policies and Procedures**

The Manager has delegated the right and obligation to vote proxies relating to the securities in the Portfolio to the Portfolio Manager as part of the Portfolio Manager's portfolio management responsibilities. The Portfolio Manager has established a proxy voting policy (the "Proxy Voting Policy") that provides that the Portfolio Manager will vote the securities in the Portfolio in the best interests of the Unitholders of the Fund. The Proxy Voting Policy provides that routine, uncontested matters to be considered at annual general meetings will generally be voted in accordance with management's recommendations. More complex, non-routine matters (i.e. certain issues related to the compensation and liability of directors, amendments to the constating documents of an issuer, share and debt issuances, related party transactions, reorganizations, restructurings, shareholder proposals and proposals relating to corporate social responsibility) will be decided on a case-by-case basis.

The Proxy Voting Policy also provides procedures for dealing with potential conflicts of interest, the delegation of proxy voting services to third party service providers such as Institutional Shareholder Services Canada Corp. and recordkeeping obligations whereby the Portfolio Manager will maintain records of all votes cast by the Fund. The Manager publishes these records on an annual basis, commencing in 2008, on its web site at [www.navinacapital.com](http://www.navinacapital.com). A copy of the Proxy Voting Policy is available on request by contacting the Manager at 1-800-513-3868.

## **FEES AND EXPENSES**

### **Management Fee**

Pursuant to the terms of the Declaration of Trust, the Manager is entitled to an annual management fee (the "Management Fee") of 1.10% of the NAV of the Fund at month end, plus an amount equal to the Servicing Fee (as hereinafter defined), plus applicable taxes. Fees payable to the Manager are paid monthly in arrears based on the NAV as at the last Valuation Date of each month.

### **Ongoing Fees and Expenses**

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to the registrar and transfer agent; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund; fees payable to the auditors and legal advisors of the Fund; regulatory filing, stock exchange and licensing fees; and any expenditures incurred upon the termination of the Fund. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Fund (as described under "Organization and Management of the Fund — The Manager"). The Fund is also responsible for any debt service and costs relating to the Loan Facility, fees

associated with hedging activities (as described under “The Fund — Use of Options and Other Derivatives”) and any extraordinary expenses which it may incur from time to time.

### **Servicing Fee**

The Manager pays to registered dealers a servicing fee (the “Servicing Fee”) equal to 0.40% annually of the NAV per Trust Unit held by clients of the registered dealer (calculated and paid at the end of each calendar quarter commencing on March 31, 2008), plus applicable taxes.

### **Warrant Exercise Fee**

The Fund will pay \$0.15 per Warrant at the time a Warrant is exercised to the broker whose client is exercising the Warrant and \$0.10 per Warrant to the Agents.

## **INCOME TAX CONSIDERATIONS**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Trust Units or Warrants by a Unitholder who acquires Trust Units and Warrants pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm’s length with and is not affiliated with the Fund and holds Trust Units and Warrants as capital property. Generally, the Trust Units or Warrants will be considered to be capital property to a purchaser provided that the purchaser does not hold such Trust Units or Warrants 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 Trust Units as capital property may, in certain circumstances, be entitled to have such Trust Units (but, for avoidance of doubt, not Warrants) and all other “Canadian securities” as defined in the Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is also based on the assumptions that none of the issuers of the securities in the Portfolio will be foreign affiliates of the Fund or of any Unitholder and, that none of the securities in the Portfolio will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act or a “participating interest” in a “tracking entity” or a “foreign investment entity” (other than an “exempt interest”) or an interest in a non-resident trust other than an “exempt foreign trust” under amendments to the Tax Act proposed in a Notice of Ways and Means Motion released on November 9, 2006 (or such proposals as amended or enacted, or successor provisions thereto).

This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) publicly available prior to the date hereof and all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “Tax Proposals”) and relies upon advice from the Manager and the Agents as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

On October 31, 2003 the Department of Finance released a Proposed Amendment (the “October 2003 Proposals”) relating to the deductibility of losses under the Tax Act. Under the October 2003 Proposals, a taxpayer will be considered to have a loss from a business or property for a taxation year only

if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 2003 Proposals were to apply to the Fund, certain losses of the Fund may be limited with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance announced that an alternative proposal to replace the October 2003 Proposals would be released (the Alternative Proposal<sup>7</sup>). To date, the Alternative Proposal has not been released and no assurance can be given that it will not adversely affect the Fund.

This summary is also based on the assumption that the Fund will at no time be a “SIFT trust” as defined in the SIFT Rules. Provided that the Fund does not hold “non-portfolio property” as defined in the SIFT Rules, it will not be a SIFT trust. Based upon its investment objectives and investment restrictions, as described under the headings “The Fund — Investment Objectives” and “The Fund — Investment Restrictions”, respectively, the Fund should not hold any “non-portfolio properties”.

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

### **Status of the Fund**

This summary is based on the assumptions that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act, that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established, that the Fund has not been established and will not be maintained primarily for the benefit of non-residents and that not more than 50% (based on fair market value) of the Trust Units will be held by non-residents of Canada, partnerships that are not Canadian partnerships as defined in the Tax Act, or any combination thereof.

If certain Tax Proposals released on September 16, 2004 are enacted as proposed (the “September 16th Tax Proposals<sup>8</sup>”), the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Trust Units held by non-residents, or partnerships that are not “Canadian partnerships” for purposes of the Tax Act, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Trust Units unless not more than 10% (based on fair market value) of the Fund’s property is at any time “taxable Canadian property” within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Trust Units are intended to limit the number of Trust Units held by non-residents such that non-residents, partnerships that are not Canadian partnerships, or any combination of the foregoing, may not own Trust Units representing more than 50% of the fair market value of all Trust Units. The September 16th Tax Proposals were not included in Bill C-52, which received Royal Assent on June 22, 2007.

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Trust Units (the “minimum distribution

requirements”). In this connection, (i) the Manager intends to cause the Fund to qualify as a unit trust throughout the life of the Fund, (ii) the Fund’s undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager and the Agents have advised counsel that they have no reason to believe that, following the closing of the Offering, the Fund will not comply with the minimum distribution requirements at all material times. The Manager has advised counsel that it intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than 90 days after the end of its first taxation year and at all times thereafter and to file the necessary election so that the Fund will qualify as a mutual fund trust throughout its first taxation year.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below and under “Eligibility for Investment” would, in some respects, be materially and adversely different.

### **Taxation of the Fund**

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of 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 Manager has advised counsel that the Fund intends to make distributions to Unitholders and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in such year by reason of the capital gains refund mechanism.

With respect to an Agribusiness Issuer that is a trust resident in Canada whose units are included in the Portfolio and held as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to the tax proposed under the SIFT Rules, the Fund is required to include in its income such portion of the net income and the taxable portion of net realized capital gains of such Agribusiness Issuer 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 the Agribusiness Issuer. Provided appropriate designations are made by the Agribusiness Issuer, any net taxable capital gains realized by the Agribusiness Issuer and taxable dividends received by the Agribusiness Issuer from taxable Canadian corporations that are paid or become payable to the Fund and are designated by the Agribusiness Issuer in respect of the Fund will effectively retain their character as such in the hands of the Fund.

The Fund is generally required to reduce the adjusted cost base of the units of such Agribusiness Issuer structured as a trust resident in Canada to the extent that all amounts paid or payable in a year by such Agribusiness Issuer to the Fund exceed the sum of the amounts included in the income of the Fund for the year and the Fund’s share of the non-taxable portion of capital gains of such issuer for the year. To the extent that the adjusted cost base to the Fund of the unit of such Agribusiness Issuer would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the Fund and the Fund’s adjusted cost base of such unit is increased by the amount of such deemed capital gain to zero.

With respect to an Agribusiness Issuer that is a limited partnership whose securities are included in the Portfolio and held as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to the tax proposed under the SIFT Rules, the Fund is required to include or, subject to certain restrictions, is entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the Agribusiness Issuer allocated to the Fund for the fiscal period of the Agribusiness Issuer ending in the Fund’s taxation year, whether or not a distribution is received. In general, the adjusted cost base of such securities is its cost to the Fund plus the share of the income of the Agribusiness Issuer allocated to the Fund for fiscal years of the Agribusiness Issuer ending before the particular time less the share of losses of the Agribusiness Issuer allocated to the Fund for fiscal years of the Agribusiness Issuer ending before the particular time, and less the Fund’s share of any distributions received from the

Agribusiness Issuer before the particular time. If the adjusted cost base to the Fund of the securities of such an Agribusiness Issuer would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such securities is increased by the amount of such deemed capital gain to zero.

Under the SIFT Rules, each issuer in the Portfolio that is a "SIFT trust" or "SIFT partnership" as defined under the SIFT Rules (which will generally include income trusts, other than certain real estate investment trusts, and certain partnerships, the units of which are listed or traded on a stock exchange or other public market) will be subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income and capital gains respecting "non-portfolio properties" (collectively, the "Non-Portfolio Earnings"). Non-Portfolio Earnings that are earned by a SIFT partnership or are distributed by a SIFT trust to its unitholders will be taxed at a rate that is equivalent to the federal general corporate tax rate plus 13% on account of provincial tax. The SIFT Rules will generally not apply for taxation years that end before 2011 where such an issuer would have been a SIFT trust or a SIFT partnership on October 31, 2006 had the SIFT Rules been in force and applied to the issuer as of that date and the issuer complied with guidelines issued by the Department of Finance on December 15, 2006 and incorporated by reference into the SIFT Rules concerning the acceptable level of growth for such issuers. In all other cases, the SIFT Rules will generally apply to the 2007 and later taxation years of a SIFT trust or SIFT partnership. Any Non-Portfolio Earnings that become payable by a SIFT trust or SIFT partnership will be taxed as though they were a taxable dividend from a taxable Canadian corporation and will be deemed to be an "eligible dividend" eligible for the enhanced gross-up and tax credit rules.

The Fund will also be required to include in its income for each taxation year, any dividends received (or deemed to be received) by it in such year on a Portfolio security and 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. 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.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest payable by the Fund on borrowed funds (including under the Loan Facility) used to purchase securities to be included in the Portfolio. The Fund may generally 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.

It is possible that, under the October 2003 Proposals, or the Alternative Proposal, the deduction of losses of the Fund in a particular taxation year could be limited. Under the October 2003 Proposals, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on and can reasonably be expected to carry on the business, or has held and can reasonably be expected to hold, the property. If the deduction of losses of the Fund was limited in a particular year, the taxable income of the Fund would be increased along with the taxable amount of distribution to Unitholders.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust 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 are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view should not affect the

Fund's ability to deduct interest on money borrowed to acquire units of income trusts included in the Portfolio securities. 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 certain Portfolio securities 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 a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any 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 unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Fund will purchase securities in the Portfolio with the objective of receiving distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Manager has also advised counsel that the Fund intends to make 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 will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Trust Units during the year (the "Capital Gains Refund"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of securities included in the Portfolio in connection with the redemption of Trust Units.

The Fund will be deemed to realize a capital gain equal to the amount of the purchase price for a Trust Unit allocated to a Warrant which expires unexercised on November 30, 2010.

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. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains and capital losses to the Fund if the securities in the Portfolio are capital property to the Fund.

The Manager has advised counsel that, generally, the Fund will include gains and deduct losses in connection with investments made through derivative securities on income account, except where such derivatives are used to hedge securities held on capital account, and that the Fund will recognize such gains and losses for tax purposes at the time that they are realized. Option transactions may be on income account or on capital account, depending on the circumstances. Covered call options written by the Fund will likely be treated and reported for purposes of the Tax Act on capital account if the securities in respect of which the call options are written are capital property to the Fund.

In determining the income of the Fund, premiums received by the Fund on covered call options written by the Fund on capital account (and, which are not exercised prior to the end of the year) will constitute capital gains of the Fund in the year received. Premiums received by the Fund on covered call options on capital account which are exercised in the taxation year in which the option is written by the Fund will be added in computing the proceeds of disposition to the Fund of the securities disposed of by the Fund on exercise of such call options.

The Fund will derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid

by the 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 Tax 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 Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

### **Taxation of Securityholders**

A reasonable allocation of the purchase price of the units between the Trust Units and the Warrants will be required for tax purposes. The Manager has advised counsel that the Fund will allocate \$0.40 to each Warrant. Such allocation is not binding on the CRA and the CRA may not agree with such allocation. For the purposes of determining the adjusted cost base to a Unitholder of a Warrant, when Warrants are acquired, the cost of newly acquired Warrants will be averaged with the adjusted cost base of all Warrants owned by the Unitholder as capital property before that time.

The exercise of a Warrant will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a holder upon the exercise of a Warrant. The adjusted cost base to the holder of a Trust Unit acquired upon the exercise of a Warrant will have a cost to the holder equal to the aggregate of the adjusted cost base of the Warrant so exercised and the Subscription Price paid by such holder for the Trust Unit. The cost of a Trust Unit acquired by a holder upon the exercise of a Warrant will be averaged with the adjusted cost base of all other Trust Units already held as capital property by the holder at the time of the exercise of the Warrant in order to determine the adjusted cost base of each such Trust Unit to the Unitholder.

On the disposition or deemed disposition of a Warrant (otherwise than the exercise of the Warrant), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are exceeded by) the aggregate adjusted cost base of the Warrant and any reasonable costs of disposition. The expiry of an unexercised Warrant will generally give rise to a capital loss equal to the adjusted cost base to the holder of the expired Warrant. Any such capital gains or capital losses will be treated as described below in the discussion of disposition of Trust Units.

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Trust Units) in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable and designated to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Trust Units. To the extent that the adjusted cost base of a Trust 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 Trust Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the income of the Fund from foreign sources, and (iii) 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 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 gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Trust Units will be reduced by such amount. To the extent that the adjusted cost base of a Trust 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 Trust Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

On the disposition or deemed disposition of a Trust 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 Trust 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 of the Trust Units 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 of such distributed property. For the purpose of determining the adjusted cost base of Trust Units to a Unitholder, when Trust Units are acquired, the cost of the newly acquired Trust Units will be averaged with the adjusted cost base of all Trust Units owned by the Unitholder as capital property immediately before that time. The cost of Trust Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. A consolidation of Trust Units following a distribution paid in the form of additional Trust Units will not be regarded as a disposition of Trust Units. See "Description of the Securities Offered by the Fund — Distributions".

One-half of any capital gain (a "taxable capital gain") realized on the disposition of Trust Units will be included in the Unitholder's income and one-half of any capital loss (an "allowable capital loss") realized may be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains in accordance with the provisions of the Tax Act.

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 as well as taxable capital gains realized by the Unitholders on the disposition of Trust Units may increase the Unitholder's liability for alternative minimum tax.

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

The NAV per Trust Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time Trust Units are acquired. Accordingly, a

Unitholder who acquires Trust Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Trust Units were acquired notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Trust Units.

### **REMUNERATION OF DIRECTORS AND OFFICERS**

The Independent Review Committee members each receive \$15 000 per annum for acting in such capacity (determined on the basis of four meetings per year) and each Independent Review Committee member will receive \$1 250 per meeting for acting in such capacity for each additional meeting, as applicable. The Independent Review Committee members are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across all investment funds that are managed by the Manager in a manner that is fair and reasonable.

### **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to Unitholders:

- (i) the Declaration of Trust;
- (ii) the Agency Agreement;
- (iii) the Portfolio Management Agreement; and
- (iv) the Warrant Indenture.

Copies of these material contracts may be inspected during business hours at the principal office of the Fund.

### **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

There are no ongoing legal or administrative proceedings that are material to the Fund to which the Fund or the Manager is party, nor are any such proceedings known to be contemplated.

### **OTHER MATERIAL INFORMATION**

#### **Risk Factors**

##### *No Assurances of Achieving Distribution and Capital Appreciation Objectives*

There is no assurance that the Fund will be able to achieve its distribution objective. The funds available for distribution to Unitholders will vary according to, among other things, the levels of dividends or distributions paid on the securities in the Portfolio and the value of the securities in the Portfolio. There is no assurance that the Portfolio will earn any return.

It is possible that, due to declines in the market value of the securities in the Portfolio, the Fund will have insufficient Portfolio assets to achieve in full its investment objectives, including that of long-term total returns.

##### *Fluctuations in Net Asset Value*

The NAV per Trust Unit and the funds available for distribution will vary according to, among other things, the net asset value of the securities held in the Portfolio and the distributions paid thereon. Fluctuations in the market values of the securities held in the Portfolio and the amount of dividends paid on such securities may occur for a number of reasons beyond the control of the Manager, the Portfolio Manager or the Fund.

### *Performance of the Portfolio*

The NAV per Trust Unit will vary as the value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, including factors that affect the equity markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities.

### *Concentration Risk*

The Portfolio will consist only of securities of the Agribusiness Issuers in, or closely associated with, the agribusiness industry and, as a result, the Fund's holdings will not be diversified and the NAV may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect the agribusiness industry. This may have a negative impact on the value of the Trust Units.

### *Equity Risk*

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

### *Commodity Price Fluctuation*

The operations and financial condition of Agribusiness Issuers and the amount of dividends or distributions paid on their securities is dependent in part on commodity prices applicable to the commodities sold by such issuers. Prices for commodities will vary and are determined by supply and demand factors, including weather, general economic conditions and political conditions. Further, the availability and price of agricultural commodities are subject to other unpredictable factors such as plant disease, government farm programs and policies and changes in global demand resulting from population growth and changes in standards of living.

A change in commodity prices could have an adverse effect on the operations and financial conditions of such issuers and the amount of dividends or distributions paid on their securities. In addition, certain commodity prices are based on a U.S. dollar market price. Accordingly, an increase in the value of the Canadian dollar against the U.S. dollar could reduce the amount of dividends or distributions of such issuers.

### *Agriculture Industry Cyclical*

The value of and revenues of Agribusiness Issuers in which the Fund will invest may be dependent on the performance of the agriculture industry. The agriculture sector has historically been a cyclical business. To the extent that the agricultural sector declines or experiences a downturn, the Fund's operations and financial performance could be materially adversely affected.

### *Government Policies and Regulations*

Agricultural production and trade flows are significantly affected by existing and future government policies and regulations, including but not limited to taxes, tariffs, duties, subsidies and

restrictions on imports and exports. Such policies and regulations can influence industry profitability, the planting or use of particular agricultural crops and resources, the location and size of crop production, the volume of imports and exports and the trade of unprocessed and processed commodities. International trade disputes may also adversely affect trade flow. Collectively, such policies and regulations may adversely affect the profitability of the sector or of particular Agribusiness Issuers.

#### *Reliance on the Manager and the Portfolio Manager*

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund in a manner consistent with the investment objectives, strategy and restrictions of the Fund. Performance of the investments in the Portfolio will be dependent on the Portfolio Manager, which provides portfolio management services to the Fund. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to the Fund will continue to be employed by the Manager and Portfolio Manager, respectively.

#### *Foreign Market Exposures*

The Fund's investments will, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

#### *Currency Exposure*

As the Portfolio may be invested in securities traded in U.S. dollars and other foreign currencies, the net asset value of the Fund, when measured in Canadian dollars, may, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar and other foreign currencies relative to the Canadian dollar. The Fund may not be fully hedged and distributions received on the Portfolio may not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Portfolio Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Portfolio Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

#### *Use of Leverage*

The Fund may at times incur indebtedness under the Loan Facility. Any such indebtedness will be secured by the Fund's assets, including the Portfolio. There can be no assurance that such a strategy will enhance returns and, in fact, the strategy may reduce returns. If the securities in the Portfolio suffer a decrease in value, the use of leverage will cause a decrease in the NAV in excess of that which would otherwise be experienced. In the event that any such Loan Facility is called by the lender thereunder or exceeds the permitted limit, the Fund may be required to liquidate the Portfolio to repay or reduce the

indebtedness at a time when the market for the securities in the Portfolio may be depressed, thereby forcing the Fund to incur losses.

The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains/losses and income generated by the incremental investments for the Portfolio. In addition, the Fund may not be able to renew the Loan Facility on acceptable terms.

#### *Sensitivity to Interest Rates*

The market price of the Trust Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV resulting from an increase in interest rates may also negatively affect the market price of the Trust Units. Unitholders will therefore be exposed to the risk that the NAV per Trust Unit or the market price of the Trust Units may be negatively affected by interest rate fluctuations.

#### *Liquidity of the Securities in the Portfolio*

If the Portfolio Manager is unable to dispose of some or all of the Portfolio securities, the Fund may experience a delay in the receipt of the proceeds of disposition until such time as the Portfolio Manager is able to dispose of such Portfolio securities. If the Portfolio Manager determines that it is appropriate to acquire certain securities for the Fund, the Portfolio Manager may be unable to acquire the number of such securities, or to acquire such securities at a price acceptable to the Portfolio Manager, if the market for such securities is particularly illiquid.

#### *Use of Derivative Instruments*

The Fund may utilize derivatives for hedging purposes. The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Fund from completing the derivative contract; (iv) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (v) if the Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer. In circumstances where there is an interest rate hedge employed, total return on the Portfolio may be higher with the hedge than without it when interest rates rise significantly, but total return may be lower than it otherwise would be in a stable to falling interest rate environment.

#### *Securities Lending*

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

#### *Trading Price of Trust Units*

Trust Units may trade in the market at a premium or discount to the NAV per Trust Unit and there can be no assurance that Trust Units will trade at prices that reflect their net asset value.

### *Redemptions*

If holders of a substantial number of Trust Units exercise their monthly or annual redemption rights, the number of Trust Units outstanding and the NAV of the Fund could be significantly reduced. A significant number of redemptions would decrease the liquidity of the Trust Units in the market and increase the management expense ratio of the Fund, effects which may be compounded if the Fund is initially relatively small. Many closed end funds, like the Fund, with a similar annual redemption feature have experienced significant redemptions and as a result, some have ceased to be economically feasible and have been terminated or merged with other funds. The Manager may terminate the Fund upon notice to Unitholders prior to the Termination Date if, in the opinion of the Manager, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund or in the alternative, the Fund may be merged with another fund pursuant to the Permitted Merger provisions. As a result of a Permitted Merger, Unitholders may acquire units of a fund that does not provide exposure to the global agribusiness industry with the result that it will have different investment objectives and strategies and will be subject to different risk factors.

### *Status of the Fund for Securities Law Purposes*

The Fund is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Trust Units and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Fund.

### *Potential Conflicts of Interest*

The Manager and the Portfolio Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund.

Although officers, directors and professional staff of the Manager and the Portfolio Manager will devote as much time to the Fund as is deemed appropriate to perform its duties, the staff of the Manager and the Portfolio Manager may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Portfolio Manager.

### *Changes in Legislation*

There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders.

### *Taxation of the Fund*

The scope of the October 2003 Proposals limiting the deductibility of losses is uncertain. There can be no assurance that the October 2003 Proposals or the Alternative Proposal will not have an adverse effect on the Fund.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” and “Eligibility for Investment” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust 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 are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire units of income trusts included in the Portfolio securities. 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 certain Portfolio securities could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of securities in the Portfolio as capital gains and losses. In addition, in accordance with the CRA's published administrative practice, derivatives used to hedge capital items will be treated and reported for purposes of the Tax Act on capital account and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these dispositions or transactions of the Fund were not on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The SIFT Rules will apply to a mutual fund trust that is a SIFT trust. The Fund should not be a SIFT trust for the purposes of these rules because the Fund should not hold "non-portfolio property" based on its investment objectives and investment restrictions. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including the distributions received by Unitholders and/or the value of the Trust Units.

Certain Agribusiness Issuers of securities included in the Portfolio may be or may become SIFT trusts or SIFT partnerships. In such event, the after-tax returns realized by Unitholders may be reduced to the extent that the Fund receives distributions of income or capital gains from such SIFT trusts or SIFT partnerships. In addition, as a result of the SIFT Rules, it is possible that SIFT trusts or SIFT partnerships may seek to restructure their affairs and organizational structures in a manner that could have an impact upon the returns to the Fund. Finally, the SIFT Rules have had, and may continue to have, an effect on the trading price of interests in trusts and limited partnerships that may be affected by the SIFT Rules.

#### *Operating History*

The Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Trust Units and there can be no assurance that an active public market will develop or be sustained after completion of the offering.

#### *Not a Trust Company*

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

#### *Nature of Trust Units*

The Trust Units are neither fixed income nor equity securities. The Trust Units represent a fractional interest in the net assets of the Fund. Trust Units are dissimilar to debt instruments in that there is no principal amount owing Unitholders. Unitholders will not have the statutory rights normally associated

with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

*Warrants*

The value of the Trust Units held by Unitholders will be diluted if the NAV per Trust Unit exceeds \$10.00 and Warrants are exercised.

## **GLOBAL AGRIBUSINESS TRUST**

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### **ADDITIONAL INFORMATION**

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements. You can get a copy of these documents at no cost by calling toll-free 1-866-404-4999 or by sending a request via e-mail to [info@navinaasset.com](mailto:info@navinaasset.com). These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Manager's Internet site at [www.navinaasset.com](http://www.navinaasset.com) or at [www.sedar.com](http://www.sedar.com).